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ABSTRACT

Hearings on reauthorization of the Higher Education Act of 1965 that were held in St. Louis, Missouri, are presented. Student assistance programs are the centerpiece of the Higher Education Act and play a critical role in achieving the federal objective of equal educational opportunity. The Higher Education Act also contains programs to assist college libraries, international education, and cooperative education, as well as the Fund for the Improvement of Postsecondary Education. Recommendations concern: proposals for the Guaranteed Student Loans (GSL) that would raise loan limits, eliminate the 5% origination fee, and reinstate loan consolidation provisions; funding to assist predominantly black institutions and the institutional eligibility criteria; reinstating the old Teacher Corps and Teacher Center Programs; teacher education scholarships; the aid cap of $4,000 for Pell grants; a proposal to increase GSL with provision for inflationary increases; need analysis procedures for student financial aid, and a stronger role in graduate education in the reauthorization of the Higher Education Act. The Missouri system of student loans is described, and Title IV and particularly GSL are discussed from the perspective of the Missouri guarantee agency. (SW)

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FIELD HEARING ON REAUTHORIZATION OF HIGHER EDUCATION ACT OF 1985

ED270057

HEARING

BEFORE THE

SUBCOMMITTEE ON POSTSECONDARY EDUCATION

OF THE

COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

FIRST SESSION

HEARING HELD IN ST. LOUIS, MO, MAY 31, 1985

Serial No. 99-53

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FIELD HEARING ON REAUTHORIZATION OF HIGHER EDUCATION ACT OF 1985

FRIDAY, MAY 31, 1985

House of Representatives,
Subcommittee on Postsecondary Education,
Committee on Education and Labor,
St. Louis, MO.

The subcommittee met, pursuant to notice, at 9:06 a.m., at 101 Lopata Hall, Washington University, St. Louis, MO, Hon. William D. Ford (chairman) presiding.

Members present: Representatives Ford, Coleman, Goodling, and Tauke.

Staff present: Thomas Wolanin, staff director; Kristin Gilbert, clerk; John Jennings, Esquire, counsel; and Rose DiNapoli, minority legislative associate.

Mr. **Ford**. Good morning. I'm pleased to call to order, this field hearing of the Subcommittee on Postsecondary Education of the U.S. House of Representatives. Our hearing today will focus on recommendations and concerns with respect to the reauthorization of the Higher Education Act of 1965.

This is the sixth in what we expect to be a series of 10 field hearings on this subject. Prior to today, the subcommittee has been in Vermont, Illinois, Iowa, Michigan, and New York. We have additional hearings, at this time, planned for Maine, Washington, Pennsylvania, and Massachusetts.

The subcomittee will also hold more than 20 hearings on specific subjects as a part of the reauthorization, in Washington, beginning early in June.

The Higher Education Act is a primary source of Federal support for students and higher education institutions. It must be reauthorized or extended in this Congress. The largest and most important programs contained in the Higher Education Act, provide grants, loans, work opportunities, and special services, to students who demonstrate a need for Federal help. In the coming school year, more than $13 billion will be made available to students in grants, loans, and work opportunities. Nearly half of the approximately 12 million students attending the 6,000 institutions of postsecondary education in the United States will receive Federal assistance.

These Student Assistance Programs are the centerpiece of the Higher Education Act. And they play a critical role in achieving the Federal objective of equal educational opportunity. The Higher Education Act also contains programs to assist college libraries, international education, and cooperative education, as well as the Fund for the Improvement of Postsecondary Education.

I expect that the process of reauthorizing the Higher Education Act is going to be long and complex. I hope, however, that we will succeed in reaffirming the Federal commitment to equal educational opportunity and excellence in higher education.

I'm particularly pleased to be here at the invitation of my good friend and colleague on the Education and Labor Committee, Tom Coleman, who is the ranking Republican member of this subcommittee. Tom is one of the most knowledgeable people in the House of Representatives on higher education programs, and one of the most committed to making them work effectively.

Today, we will be pleased to hear from representatives of colleges and universities, student aid administrators, TRIO administrators, students, those involved in the Guaranteed Student Loan Program, teachers and business leaders.

Before yielding to the other members of the subcommittee for any opening comments they care to make, I want to make one other observation. We operate under a very tough time constraint this morning, in trying to accommodate even the number of people who are here today. And we know that there are people who are disappointed and wanted to testify, and we weren't able to accommodate them on this schedule.

We'll hold the hearing record from today, open for a month and if any of you in attendance today would like to offer testimony to be added to the hearing, contemporaneous with today's proceedings, please submit it to us. We will be most happy to include that in the record.

In addition to that, if you are moved by anything that anyone else says here today, and feel you would like to expand on it, or respond to it, please forward that for the record, and we'll be happy to include it. We want to make sure that anyone who has an idea, any idea, thought, or concern, about this business we're undertaking, has an opportunity to express it in a way so that it would come to the attention of the people who are going to be making the decisions.

You don't have to be a witness, sitting at this table up here, to do that, and I wanted to stress that aspect of the way in which the proceedings of these hearings will be put together.

Mr. COLEMAN. Bill, thank you very much. Mr. Chairman, first of all, I would like to welcome my colleague and you, to the campus of Washington University. This campus holds a lot of fond memories for me. It was here that I worked, I think rather diligently for 3 years to obtain my law degree, and also met my wife, Marilyn, who was an undergraduate student majoring in German.

I attended the law school of Washington University on a scholarship, as well as Government sponsored student loan, so I understand and deeply support these programs as you well know. And I want to thank you, the members of the committee, for coming to St. Louis to hear the imput of local educators. I know how difficult it is and the demands on everyones time. I believe that it is important from a national standpoint to have this hearing here today.

And a thank you to my two colleagues on the committee, Bill Goodling, from Pennsylvania, and Tom Tauke, from Iowa, for giving up part of their very busy schedule to be here in St. Louis to hear the testimony before us and to be part of this exchange today.

I, personally, think that the reauthorization of the Higher Education Act is the most important piece of social legislation that the 99th Congress will consider. As Bill Ford said, this is the sixth of a series of hearings that we're having to deal with higher education.

In the coming months, we will have an unprecedented number of hearings in Washington, where everybody in the higher education community can be heard. This open hearing is a tribute to the fact that Bill Ford wants to provide everyone with the opportunity to make their views known.

The impact of our deliberations, and the decisions of the subcommittee will be far reaching. Last year, over $6 billion was spent on higher education, allowing millions of students to attend schools of their choice. There are two objectives that I would like to look at in reauthorization.

The first objective is, to improve the quality of the administration of all of the programs within the act with special emphasis on the student financial aid programs. It is the Congress' responsibilty to ensure that the programs function well, equitably, and efficiently. And to provide a Federal role which as the chairman mentioned, promotes improvement of our educational systems and is responsive to the changing needs of our changing society.

Second, we all must keep in mind the budget limitations that we have placed on us today. I've answered questions for the news media and explained that, really, higher education survived rather well, in view of the House budget and the Senate budget resolutions that's been passed. This shows a recognition and consensus that these are programs that we do not want to cut drastically, but they may have to endure modest reductions or a freeze, as the case might be.

There are some issues that I think should be raised, and I will raise them, just very briefly here, and I hope that the people who will testify before us today will comment on them. One of them is, should the question of whether or not an individual student's choice in selecting a college or university, be an expressed Federal purpose of financial aid assistance.

Another one is, is our present financial aid packaging policy balanced appropriately. How can we bridge the gap between the growing educational cost that we see students and families facing, and available student aid funds, keeping in mind that available student aid is not rising as fast as college costs are rising.

Should we restrict the eligibility of families and individuals to student aid because of certain income limitations. This is something the President has raised in his initial proposal. Should our young people be expected to assume huge debt burdens in order to pursue their academic goals? Should for-profit institutions participate, or be eligible to participate in our student aid programs? Should any of the small categorical programs within the act be eliminated in order to free up additional funds for student aid.

Each of these questions can be viewed from a variety of perspectives, and each of them deserves careful study. We have challenging issues before us. If our hearing today, is to be truly productive, we will have to look toward putting the resources at hand, to the best use.

Again, I want to thank my colleagues for coming to St. Louis, and to this campus. It's my hope, as I've said privately to the chairman, and publicly, that we can produce a bipartisan bill. The Higher Education Act has traditionally been written and reauthorized on a bipartisan basis. There is no one in the Congress who knows more about higher education and this act, than Bill Ford. I consider it a privilege to work with him in the 1985-86 reauthorization process.

[Prepared statement of Hon. E. Thomas Coleman follows:]

PREPARED STATEMENT OF HON. E. THOMAS COLEMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI

Mr. Chairman, I would like to take this opportunity to welcome the Subcommittee on Postsecondary Education to St. Louis and the campus of Washington University. I thank Chairman William Ford for taking the time out of his busy schedule to attend this field hearing and I thank my Republican colleagues, Representatives Bill Goodling and Tom Tauke for joining us.

The reauthorization of the Higher Education Act will perhaps be the most important piece of social legislation considered by the 99th Congress.

Today is the sixth day of hearings this Subcommittee has held to discuss the Higher Education Act. In the coming months, hearings such as these will be held in Washington and throughout the Nation to allow those concerned with higher education to make their views known.

The impact of our deliberations and decisions will be far reaching. Last year millions of students received a total $6.3 billion in student aid. In addition, $1 billion was authorized for programs that support institutional functions such as libraries, graduate education, international education and endowment building.

I believe that we should be seeking two principle objectives through this important reauthorization. First, we must strive to improve the quality and administration of all the programs within the Act, with special emphasis on student financial aid programs. It is our responsibility to insure that the programs function equitably and efficiently; provide a federal role which promotes improvement in our educational system; and, is responsive to the changing needs of our society.

Secondly, like all Americans, we must keep in mind the budgetary limitations placed upon us by the budget deficit and with that, our fiscal responsibilities. While we all agree that the need for adequate funding for education is necessary, we must face the reality that federal resources are not limitless. I believe as do most economists, that failure to reduce the deficit jeopardizes our long-term economic growth. Both interest rates and the cost of living are likely to be adversely affected unless something is done. Our higher education programs, like all programs, must contribute towards reducing the federal deficit.

As we reauthorize the Higher Education Act, we must work towards developing a clear set of federal policies. Many critical decisions must be made on several policy issues. For example:

(1) Is the element of an individual's choice in selecting a college or University an expressed purpose of federal financial assistance? And if so, are public and private institutions impacted in an equitable fashion?

(2) Is our present financial aid packaging policy of grants and loans balanced appropriately?

(3) How can we bridge the gap between growing educational costs and available student aid?

(4) Should we restrict eligibility for student aid programs on the basis of income limits?

(5) Should our young people be expected to assume huge debt burdens in order to pursue their academic goals?

(6) Should for-profit institutions be eligible participants in our student aid programs?

(7) Should some of the small, categorical programs within the Act, be eliminated in order to free up additional funds for student aid?

Each of these questions can be viewed from a variety of perspectives. Each of these questions require careful study.

The issues before us today are challenging ones. If our hearing today is to be truly productive in helping the cause of higher education, we have to look toward putting the resources at hand to the best use, more funding cannot be the only solution to the challenges facing us.

Mr. Chairman, again I would like to thank you for giving Missourians the opportunity to make their views on these important issues known. It is my hope that we can work together to produce legislation that provides adequate federal support to meet the difficult challenges facing higher education through the end of this decade and the beginning of the next.

Mr. **Ford**. Thank you, Tom. Mr. Goodling.

Mr. **Goodling**. Only to say that I'm happy to be here, and not only that, I didn't have a choice. As Tom would say, the gentleman has to come. I've been sitting side by side with him in the Education and Labor Committee about 8 years. And he called the shots and we carried it out, so I'm very happy to be here.

Mr. **Ford**. Mr. Tauke.

Mr. **Tauke**. I had never noticed that Bill Goodling was so passive. Thank you very much, Mr. Chairman. It is a delight to be here in Missouri, and to be here with Tom Coleman. As an Iowan from up north, I, too, have many of the same interests that he has here in Missouri, relating to the Higher Education Act.

So, I am pleased to be here to participate on the panel. It is not only an indication of my interest, but also an indication of my respect for Tom Coleman.

Mr. **Ford**. Thank you, gentleman. The first panel is the president's panel, consisting of Father Thomas Fitzgerald, president of St. Louis University; Dr. Henry Givens, president of Harris-Stowe State College; Dr. Richard Greenfield, chancellor of St. Louis Community College; and Richard Harvey, vice president of Patricia Stevens Career College.

Mr. **Coleman**. Mr. Chairman, all of the statements of today's witnesses are in the back of the room so that anybody who might want to pick them up may. Also it's my understanding that chancellor of St. Louis Community College, Dr. Greenfield, is going to be unable to be with us today.

I'd like to request that his testimony will be inserted in the record.

Mr. **Ford**. Without objection, it is so ordered. And before the panel begins, I'd like to call on Chancellor Danforth, who has also joined the panel this morning, and ask him to make any comment he thinks appropriate at this time.

STATEMENT OF WILLIAM H. DANFORTH, CHANCELLOR, WASHINGTON UNIVERSITY, ST. LOUIS, MO

Chancellor **Danforth**. Mr. Chairman, I would first like to welcome you and members of the subcommittee to Washington University and to St. Louis. It's a great privilege to have you here. It's a particular privilege to have the chairman on the campus, and, of course, Mr. Goodling and Mr. Tauke. And Tom Coleman is an old friend, and an alumnus, as he has told you. One of our favorite sons of Washington University, of whom we are very proud.

I agree, I think we all agree, that your work, the reauthorization of the Higher Education Act, reauthorization is the most vital aspect of the necessary and continuing investment in the future of the Nation. The evolution of the Higher Education Act, since 1965, has been notable, as has been stated, for its bipartisan support. And we're very grateful for that fact and congratulate the chairman and Mr. Coleman, and others, in their efforts to keep it that way.

I also want to express appreciation for the way in which your subcommittee is dealing with the Higher Education Reauthorization. The system of hearings in the field, an opportunity for those of us who are interested to testify on specific parts of the bill, the hearings in Washington, are all important to us. The fact that you've asked the associations that represent us to come together and present their view, or for changes in statutory language by April 30, was most helpful.

The effort to achieve consensus required a lot of work and soul searching among the institutions, associations, advisers, student groups, and so on. And I think the large degree of success reflected in the American Council on Education proposals, to your subcommittee, is impressive. Consensus doesn't, of course, mean total agreement by all the parties on every issue, but it should mean an understanding of common positions from which all parties are willing to move forward.

We haven't yet total consensus on the Pell grants, and some related student aid issues, but I believe that we will achieve consensus during the process of your review, and I'm committed to try and work toward that consensus. We've made special efforts here in Missouri. The public and private institutions have been undertaking an effort in cooperation, which I believe will result in the long-term betterment and support of higher education in the State.

We are working closely together; we believe that the strengthening of the investment in higher education is not helped by efforts to create discord among the different parts of the higher education community; we believe it's not helpful to pit sector against sector; to engage in wholesale condemnation of university and college management; to question the motives of students who are assisted; or to confuse the potential of institutional endowments.

Our commitment is to use what resources we have to provide the young people of this State and other States, as well, with the best education we can. And we know that's the kind of commitment you all share. The style of this committee is a very important part of the whole effort to achieve consensus in the higher education community and I do appreciate that.

Last year, Mr. Chairman, I testified at the field hearing of this subcommittee. And today, I would like to leave you with only a few substantive remarks related to student aid. I believe the essential framework of the student assistance programs is sound. I urge that, in the name of simplification, we not move toward the elimination of the campus space programs, which provide essential flexibility in the administration of student assistance.

I emphasize the necessity of strengthening the support of postbaccalaureate students in graduate education programs. Proposals from you, Mr. Chairman, and from Mr. Coleman, have been most welcome and I believe are complementary.

Finally, and most importantly, I urge additional programming and funding efforts at the undergraduate and graduate level, to bring qualified minority students into the mainstream of higher education. If we do not secure greater minority enrollments now, the faculties and research programs in the future will not profit from their participation.

Thank you, Mr. Chairman. I'm glad you're here, and hope that today's session is useful to you.

[Prepared statement of William H. Danforth follows:]

Prepared Statement of William H. Danforth, Chancellor, Washington University, St. Louis, MO

Mr. Chairman, Mr. Coleman, Mr. Goodling, Mr. Tauke, I am delighted to welcome the subcommittee to Washington University. It is especially good to greet the new chairman, Congressman Ford. I am glad to meet Mr. Goodling and Mr. Tauke. Tom Coleman is an old friend, and, I am pleased to say, valued law alumnus of Washington University.

Your work—the reauthorization of the Higher Education Act—is a most vital aspect of the necessary and continuing investment in the future of this nation. The evolution of the Higher Education Act since 1965 has been notable for its bi-partisan support. That is particularly true of the work of this subcommittee. I know, Mr. Chairman, and Mr. Coleman, you wish to keep it that way.

The higher education community appreciates, too, the manner in which the subcommittee is dealing with reauthorization: a system of hearings in the field, and Washington hearings on specific titles and parts of the bill. Most importantly, your request for the associations connected with higher education to present to you their views for changes in statutory language by April 30 was most salutary. The effort to achieve consensus required much work and soul-searching among institutions, associations, student groups and advisors. The large degree of success reflected in the American Council on Education proposals to your subcommittee is, I believe, impressive. Consensus does not mean total agreement by all parties on all issues. It should mean an understanding of common positions from which all parties are willing to move forward. Consensus has not yet been reached in Pell Grant and some related student aid issues. I believe such a position will be reached during the process of your review, and I shall try to assist in that result.

Here in Missouri the public and private institutions are undertaking an effort in cooperation which will, I believe, result in the long-term betterment of the support of higher education in the state. For we believe that the strengthening and continuing of the investment in higher education is not helped by efforts at creating discord among the different parts of the higher education community. It is not helpful to pit sector against sector, to engage in wholesale condemnation of university and college management, to question the motives of students who are assisted, or to confuse the potential of institutional endowments. Our commitment is to use what resources we have to provide American young people with the best education we can. We know you share this commitment.

The style of your subcommittee supports the spirit of concord which must attend the reauthorization process.

Last year, Mr. Chairman, I testified at a field hearing of this subcommittee. Today, I would leave you with only a few substantive remarks, related specifically to student aid and graduate education.

I believe the essential framework of the student assistance programs is sound. I urge that in the name of simplification we not move toward the elimination of the campus-based programs which provide essential flexibility in the administration of student assistance.

I emphasize the necessity of strengthening the support of post baccalaureate students and graduate education programs. Proposals from you, Mr. Chairman, and from you, Mr. Coleman, have been most welcome and are, I believe, complementary.

Finally, and most importantly, I urge additional programming and funding efforts at the undergraduate and graduate levels to bring qualified minirity students into the mainstreams of higher education. If we do not secure greater minority enrollments now, the faculties and research programs of the future will not profit from their participation.

Thank you, Mr. Chairman. I'm glad you're here, and hope your day's work is useful.

Mr. Ford. Thank you, Chancellor Danforth. Father Fitzgerald.

STATEMENT OF FATHER THOMAS R. FITZGERALD, PRESIDENT, ST. LOUIS UNIVERSITY, ST. LOUIS, MO

Father FITZGERALD. Thank you. I'm Tom Fitzgerald, president of St. Louis University here, and perhaps I can also speak for Michigan, because I'm a trustee of the University of Detroit.

St. Louis University is a comprehensive private institution of about 10,000 students. It is a Catholic University, but it is governed by an independent board of trustees that is self-perpetuating, that is mostly lay, and includes persons of several religious persuasions.

To the question, how can Federal support best be used to strengthen your postsecondary institution, my answer, unequivocally, is: by the continuance and improvement of the student aid programs. We find that the very multiplicity of Federal and State programs, matched with our own institutional money, gives us the flexibility to respond to individual needs.

Our students come from every income group, and we have a large minority representation. And, without these programs, most of them simply could not go to college. A fellow graduate of my high school, in Washington, DC, the Secretary of Education, has had some harsh things to say about the lifestyles of college students.

He's not talking about my students; most of them work part time in the winter; full time in the summer, incur heavy personal indebtedness, and have a default rate on repayment of NDSL loans of only 3.9 percent.

I will not speak about the proposed compromise between the Republican leadership and the administration in the Senate, because that seems to be a matter of history. But my text offers some data which seem to demonstrate that there would have been no safety net for lower income students.

Looking to reauthorization, I would like to make three very brief comments about the guaranteed student loan, and one comment about the Pell grants.

Generally speaking, I would express agreement with the proposals concerning student aid, forwarded to you by the American Council on Education. And I thought its proposals concerning guaranteed student loans would be particularly helpful, and I would single out three details: raising loan limits; eliminating the 5 percent origination fee; and reinstating loan consolidation provisions.

Turning to the Pells, for years, the private colleges and the public colleges, as you know, have skirmished with each other over the "half-cost limitation" for Pell grants. While agreeing, in general, with the ACE proposals for Pell grants, I would like to express interest, also, in the compromise which has been very recently developed by NAICU, and has been presented to you in Washington.

There would be a two-part formula: First, half-cost formula would be maintained for strictly educational costs, up to a maximum grant of $2,100; but, second, there would be a substantial allowance to cover living expenses for all low-income students.

And I hope the educational committee will be able to come together on that compromise.

I would be tempted to speak at great length, but as one of the first speakers, I'm going to set the example of brevity. Thank you.

[Prepared statement of Father Thomas R. Fitzgerald follows:]

PREPARED STATEMENT OF FATHER THOMAS R. FITZGERALD, PRESIDENT, ST. LOUIS UNIVERSITY, ST. LOUIS, MO

Members of the Subcommittee on Postsecondary Education, thank you for this opportunity to testify. I am Father Thomas Fitzgerald, president of Saint Louis University. Ours is a private university with undergraduate and graduate programs, as well as schools of Law, Medicine and Social Service. Enrollments total approximately 10,000. While the University is Catholic and Jesuit, it is governed by an independent, self-perpetuating board which is mostly lay and includes persons of several religious persuasions.

To the question—"how can Federal support best be used to strengthen your postsecondary institution?"—my answer is unequivocal: by the continuance and improvement of student aid programs. The present federal and state programs, supplemented at our University by almost $1 million annually of scholarships underpinned by the University's Endowment and $2 million drawn from its General Fund, give us the flexibility to respond to individual needs. Our students at Saint Louis University come from every income group, and our minority population is proportionately greater than that to be found on three of the four campuses of the state university. A fellow graduate of my high school in Washington, D.C., the Secretary of Education, has had some harsh things to say about college students with expensive life styles. I don't know where he went to college, but it was not here where most students work part-time in winter, fulltime in summer, incur heavy personal indebtedness, but have a default rate on repayment of NDSL loans of only 3.9%.

In the Senate there was a proposed compromise between the Republican leadership and the Administration. In particular the cost of attending college would have been limited to $8,000. Since the compromise was rejected, I will not argue the point, but am submitting in my written text figures developed by the research arm of the National Association of Independent Colleges and Universities demonstrating that there was no safety net but that students of all income levels would have suffered. The figures cited are for students in the private colleges of the eleven Midwestern states, extending from Indiana to North Dakota.

Income group	Number affected	Average loss/student
Below $10,000	16,227	$1,691
$10,000 to $20,000	10,834	2,005
$20,000 to $30,000	14,912	1,599
$30,000 to $40,000	11,899	1,686
$40,000 to $50,000	9,644	2,453
Above $50,000	8,094	2,033

As we look towards reauthorization, I would like to express general agreement with the proposals concerning student financial aid submitted to you by the American Council on Education. Its proposals concerning Guaranteed Student Loans would be particularly helpful, raising loan limits, eliminating the 5% origination fee, and reinstating loan consolidation provisions.

For years the private colleges and the public colleges have skirmished with each other over the "half-cost limitation" for Pell Grants. While agreeing in general with the ACE proposals for Pell Grants, I would like to express interest also in the compromise which has been developed by NAICU and has been presented to you. There would be a two-part formula: (1) maintaining the half-cost formula for strictly educational costs up to a maximum of $2,100, and (2) granting a substantial allowance to cover living expenses for all low-income students.

Thank you for permitting me to testify.

Mr. FORD. Dr. Givens.

Dr. GIVENS. Mr. Chairman, Congressman Coleman——

Mr. FORD. Excuse me just a moment. Without objection, the prepared testimony of each of the witnesses who will appear, will appear in the record immediately preceding the point in the record where they begin their comments, so that you may proceed knowing that that text precedes what you're going to say.

Excuse me for interrupting you.

[Prepared statement of Dr. Henry Givens follows:]

PREPARED STATEMENT OF HENRY GIVENS, JR., PRESIDENT, HARRIS-STOWE STATE COLLEGE

My name is Henry Givens, Jr. I am President of Harris-Stowe State College, which is a member of the Missouri System of Public Higher Education. Although I am President of an urban college, I am also wearing two other hats as an official of two other national organizations. I am a member of the Board of Directors of the American Association of State Colleges and Universities, better known as AASCU. I am also a member of the Board of Directors of the National Assocation for Equal Opportunity, better known as NAFEO. This latter Association is a consortium of 141 historically and predominantly black colleges and universities throughout the nation. Both of these Associations have their home offices in Washington, D.C. Thus, while I do not presume to speak officially for these two other important organizations, I am acquainted with some of their views and concerns regarding the proposed reauthorization of the higher education act and the impact of that reorganization on the colleges and universities of this nation.

I am deeply grateful for this opportunity to appear before the Subcommittee at its hearing in St. Louis on the Reauthorization of the Higher Education Act. In my view, the Subcommittee is to be greatly commended for its willingness to take so important a matter before interested groups throughout the nation for the purpose of giving these groups an opportunity to share with the Subcommittee their ideas and suggestions on pending legislation affecting higher education. As the President of a small college with over 127 years of experience in teacher education, I believe that I might be able to provide a few ideas and suggestions which the Subcommittee will find useful.

Toward that end, and if I may be permitted to do so, I should like to limit my brief remarks to comments, observations, and recommendations relative to just a few of the titles of the Higher Education Act. These few titles are three in number: (1) Title III, which deals with Institutional Aid; (2) Title IV, which provides Student Financial Aid in various forms, and (3) Title V, which provides funding for Teacher Corps and Teaching Training Programs.

ON TITLE III

Let me begin with Title III—Institutional Aid. First, I should like to make it abundantly clear that I strongly support and endorse the following recommendations that have been drawn up by the Title III Task Force after a very careful and in-depth review of the proposed reauthorization. This Task Force included representatives from the following important Organizations: (1) the American Association of Community and Junior Colleges, (2) the National Association for Equal Opportunity in Higher Education, (3) the National Assocation of Colleges and University Business Offices, (4) ACCU, (5) the National Association of State Universities and Land Grant Colleges, (6) NAICU, (7) the American Council on Education, (8) the American Association of State Colleges and Universities, and (9) the American Association of University Professors.

The General Recommendation of the Title III Task Force

That Title III funds be targeted on a limited number and primarily to those institutions of higher education that serve large numbers of minority and low-income students at the undergraduate level, and whose Title III programs demonstrate clearly that they are offering high quality educational opportunities, provided these institutions have limited financial resources.

This general principle seems to make good sense in what it would provide the best possible use of limited federal funds.

Specific Recommendations of the Title III Task Force

1. That Part A of Title III, which speaks to Strengthening Institutions, be revised with the aim of resolving real difficulties related to institutional eligibility for Title III funds. I agree strongly with the recommendation that the institutional eligibility criteria place greater emphasis on such institutional financial problems as: (a) low faculty salaries, (b) low library expenditures, (c) little or no endowments, (d) large

numbers of students receiving federal and state assistance, (e) little or no foundation support, and (f) little or no sponsored faculty research.

2. I greatly applaud and strongly recommend the Task Force's recommendation that Part B of Title III be entirely rewritten, and given a new name, possibly this one: "The Black College and University Act". However, I would somewhat modify the Task Force's definition of such institutions to include those colleges and universities—regardless of their year of founding—that have enrollments which are currently predominantly black. I strongly endorse the Task Force's recommended target activities that should be funded under the proposed new Part B. These activities include:

(a) the purchase or leasing of laboratory equipment;

(b) the construction, maintenance, or rehabilitation of classrooms, libraries, and laboratory facilities;

(c) the development of curricula and programs in academic areas in which black Americans are either absent or under-represented; and

(d) the purchase of library materials as well as learning assistance materials and equipment.

3. I would urge also serious consideration of the Task Force's recommendation that Title III grants be based on the number of FTE Pell Grant recipients in attendance at the institution during the school year immediately preceding the enactment of the proposed law. Finally, I urge that the Secretary of Education be permitted to waive student aid eligibility requirements under Title III in order to approve otherwise ineligible institutions whose support would be definitely in keeping with Title III objectives.

4. Additionally, I would hope that the Subcommittee will seriously consider the following observations and recommendations which I would add to those of the Title III Task Force:

(a) I believe that the originally-stated purposes for grants made under Parts A and B include goals that are not necessarily related, yet it is my understanding that these goals collectively become the main criteria by which proposals for Title III funds are evaluated and rated. Perhaps an example of what I mean might prove helpful. It will be noted that in Part A of this title, the three goals which grants under this part are designed to achieve are (i) improving the academic quality of an institution, and (iii) improving the institution's fiscal stability. None of these highly desirable goals necessarily depends on the other. Hence—in my judgment—their collective use in determining whether or not a given proposal is to be funded has the net effect of eliminating many a worthy and needy institution simply because its proposed program does not meet all three of these not necessarily related goals. To me, this is a real distortion of the intent and purposes of the Act.

(b) Finally, I am greatly concerned that institutional planning, as an end in itself, has become the primary criterion upon which proposals for funding under title III are funded. I would point out that while there is always room for continued institutional planning for improvement in institutional programs and facilities, it is not so much additional planning that many colleges such as ours need as it is increased operating funds to enable them to more effectively implement many of the plans they have already made.

ON TITLE IV

Now, a few observations and recommendations for the improvement of Title IV—Student Assistance Programs.

For years of Federally funded Student Aid Programs, the underlying philosophy has been to provide access for all students to post-secondary educational programs that give real promise of meeting their individual needs and are clearly relevant to their career goals. That philosophy, whether still considered by some to be significant or not, is still—in my view—a valid one. It is evident that the proposed reauthorization of Higher Education Act and the Administration's proposed budget will no longer adequately support that very sound initial philosophical approach. The inevitable resutls listed below seem to support this unhappy conclusion:

1. The President's proposed budget will reduce the higher education choices of minority and low-income students by eliminating for many the opportunity to attend small private colleges which, because of their own limited institutional funds, can not provide the needed financial aid to make up the cut-backs in Federal assistance.

2. The expectation that the proposed cuts in student financial aid can and will be made up by state funding is neither realistic nor likely to be realized because: (a) the proposed budget will also cut or eliminate the State Student Incentive Grant Program and (b) state revenues across the nation are generally at a low level, and

the inclination of the states to raise these levels through additional taxes is almost non-existent.

3. Eliminating or drastically reducing the State Student Incentive Grant Program will virtually wipe out state grant-programs—programs that in Missouri have assisted students in attending higher cost institutions, and have increased significantly student access to higher education institutions of their choice. There have been efforts of some states, including Missouri, to provide additional funds for this program to increase support for students attending low-cost institutions. Funds for this purpose are greatly needed and long overdue!

4. Requiring that $800 of college costs be provided by students through self-help funds places an increased hardship on low-income students and further reduces their opportunity for post-secondary education. Such a requirement may, indeed, eliminate entirely their chances for a college education. A system for identifying real financial need is greatly desired in order for colleges and universities to more accurately meet the needs of students. Arbitrary cuts in student financial aid can, in fact, eliminate support where it is actually greatly needed.

5. The Guaranteed Student Loan Program, although perhaps not the most attractive student aid program, is needed by many students—including the middle-class—and particularly middle-class blacks—to supplement other financial assistance at nearly all institutions. Curtailment of this program will undoubtedly decrease the accessibility of post-secondary education to these students. Students borrowing from the GSL Program may, indeed, incur a large loan debt before graduating from college and find that fund repayment is extremely difficult. Such indebtedness might be avoided through more emphasis on grant and employment programs. Moreover, since this program is a major source of support for many private colleges and universities, its reduction in funding will clearly cause serious structural damage and real fiscal problems for large numbers of independent institutions of higher education, many of which are black, either historically or by reason of recent enrollment patterns.

6. The proposed $4,000 CAP on the total aid which any student could receive from all federal programs will, according to the American Council of Education, reduce awards by an average of $1,200 for some 430,000 undergraduates half of whom have family incomes below $12,000! It is estimated that 60% of those affected would be needy students who are attending independent institutions—many of which are black. The average financial aid loss for these students would approach $1,400! An estimated 200,000 graduate students would be adversely affected by this cap. They constitute about ⅕ of the federally-assisted graduate student population of whom ⅗ are presently attending independent institutions. The effect of these cuts on our nation's graduate schools will be near disastrous!

7. Placing a limit of $4,000 on financial aid received is likely to reduce the accessibility to high cost and prestigious institutions for minority and poverty students. Tuition and fees for such institutions would easily exceed the $4,000 limit by more than double!

8. The Guaranteed Student Loan Program was originally designed to accommodate the middle-income student. Restrictions based on $32,500 maximum income may also place the program outside the reach of that targeted segment of the student population.

To offset these dire results, I would offer the following general recommendations:

1. Increase the funding levels of grant and employment programs. Such increases are necessary because the cost of higher education across the nation is rising yearly at a significant rate, while family incomes are not increasing at anywhere near the same rate. Hence, more, rather than less, student financial aid is needed if we are to avoid several severely outcomes among which the following should be cited: (a) increased loan indebtedness on the part of students who can least afford such debts against their future earnings and (b) the drastic reduction of accessibility to these students of any but low-cost institutions of higher education—a trend that will eventually promote elitism in America. To increase the targeting of Supplemental Educational Opportunity Grants to that population for which it was originally intended, it may be necessary to return to the concept of reserving the SEOG Program to those students demonstrating the most need.

2. Since existing financial aid programs have developed and emerged over several years, very possibly, reallocation and reorganizing of such programs is strongly needed. However, whatever reorganization does, indeed, occur, the result must not remove truly needy students from financial need consideration and funding.

3. Institutions of higher education probably must assume a larger role in meeting the guidelines and regulations of the various aid programs, and in identifying those truly eligible students.

ON TITLE V

Now, if I may, I should like to offer a few suggestions for Title V—Teacher Corps and Teacher Training Programs. Perhaps the very title should be changed to: "Professional Development". As I see it, it was very probably a mistake to eliminate altogether the Teacher Corps as one of the teacher education programs funded under this title. I believe strongly that there is a real and urgent need for a Teacher Corps that is aimed—not so much at bringing persons from other professions or who are otherwise unemployed into teaching—as at an up-grading and improvement of teachers who are already serving in our nation's classrooms. The new Teacher Corps Progam should become a program of extensive and innovative in-service opportunities for teachers in the field!

Similarly, perhaps the elimination of the Teacher Center was also a serious mistake. I would urge that serious consideration be given to re-establishing this program, but this time that funding of such centers be made through accredited teacher education institutions, rather than through LEA's. After all, teacher education institutions are in the business of developing teachers—not just educational curricula. What more logical place, then, is there than these institutions as the place for Teacher Centers—now functioning as places for the on-going, up-grading and improvement of teachers in our nation's classrooms.

There is an equally urgent national need that somehow and very soon must be addressed by Title V. I am referring now to the almost desperate need for this nation to turn the tide relative to the current flow of the academically ill-prepared and poorly motivated into the profession of teaching. I submit that the current Carl D. Perkins Scholarship Program under Title V probably should be expanded to include provisions for funding teacher education scholarships, not only for the academically talented high school graduate, but also for the solid average and the slightly above-average graduate—persons who have clearly demonstrated good study skills, sound academic achievement and have given evidence of a strong and enduring interest in teaching. It is this academically solid and numerically large group of average and above average students that offers real hope and an even greater possibility for a significant improvement in our teaching force. The ultra bright students are too few in number and perhaps generally less-inclined to see teaching as a challenge to their abilities and interests for the nation to rely solely on them as a means of up-grading teaching and the teaching profession.

I respectfully invite the Subcommittee's attention to the suggestions sent to it by the nation's higher education community for the improvement of teacher education. The suggestions set forth by that group in great detail identify various ways by which Title V of the Higher Education Act might be improved for more effective teacher development throughout this nation. I am particularly impressed by this group's suggestions for grants made directly to schools of teacher education for some nine different kinds of teacher education programs and for grants to enable shool districts of higher education to enter into joint projects in the improvement of teaching and learning. There is an urgent need also for Title V support for programs designed to improve the quality of teacher education—programs which will ensure teacher excellence in the liberal acts, the sciences, and in mathematics. Perhaps the time had come for us to see teacher education as a five-year experence based on a strong liberal arts foundation.

I respectfully ask that the members of the Subcommittee give serious thought to these and other suggestions brought before it for improving the three Titles which I have addressed in these brief remarks. I know that many of the observations and recommendations that I have suggested are similar to those offered by others for improvement in the nation's higher education area.

ON THE IMPACT ON HARRIS-STOWE STATE COLLEGE

So far, I have spoken very briefly on the concerns which I have relative to the three titles of the current Higher Education Act that seem most germane to the mission and needs of many teacher education institutions and to many other colleges with large black enrollments. I have also offered or called attention to a few recommendations which I sincerely believe would significantly improve these three titles. Now, if I may, I should like to say a few words about two other matters of real importance to my college, in particular, and others serving similar student populations: the first is how federal support under one or more of these and other titles could best be used to strengthen Harris-Stowe State College and the second is relative to the impact which the proposed modifications in Student Aid programs is likely to have on my campus.

Harris-Stowe State College needs federal funds, in addition to those appropriated by the State of Missouri and generated through our low, but rapidly increasing tuition fees, to more effectively carry out our college mission and significantly meet the specific needs of our students. I repeat, we need federal funds to support our various operations. We would use such funds in several important ways—first, to hire more faculty in such crucial areas as mathematics, chemistry, geography, computer science, history, and foreign languages, to name a few, and to improve our facilty and staff salaries. At present, we are able to meet our instructional needs in these and other areas largely through the use of part-time faculty and teaching administrators. We know that this practice is not the best—either for our continued accreditation or for meeting the best interests and needs of our students. A second important use to which additional federal funds would be put is the development of a strong language laboratory and the completion of already existing plans for a full academic assistance center. Such a center, well-equipped with self-teaching materials and well-staffed with highly effective assistants, is a must for those students who are entering college with some academic deficits. Still another use to which federal funds would be put is the expansion of the support staff for our faculty and administration. We believe that our entire instructional and management efforts could be greatly strengthened just by the addition of more support staff.

We have a great need to expand our computer science instructional laboratory center in both hardware and software. The teacher of the future simply must be computer literate. We are convinced that—in spite of the trend to the contrary—a truly effective teacher education institution should have a laboratory school well-equipped to provide observation stations, video-taping and critiquing of practice teaching, and other facilities for innovative instruction in student teaching and management. We could well use federal funds to establish such a school. In addition, we need additional funds—federal and other—to purchase instructional and learning equipment and aids of all kinds. Our audio-visual equipment and materials need up-dating greatly.

Finally, we need money in the form of incentive scholarships to attract the academically prepared students to teaching as a profession. We are strongly convinced that a significant activity of all instructions of higher learning is faculty development and the advancement of knowledge through research. More funds are greatly needed for this purpose.

As for the impact that the proposed modifications in the student aid program are likely to have on our campus, I can point immediately to the fact that upwards of 75% of our students must receive such aid if they are to continue their pursuit of higher education and productive careers. Many of these students are themselves heads of families with children for whom they must provide. This fact means that for many of our students, while the financial aid received through Pell Grants can and does presently cover the cost of tuition and books at this College, the projected financial aid limits will provide little else, leaving many of these students unable to attend college without greatly sacrificing the welfare of their children. Also, with each passing year, the College, because of rising operating costs and understandable requirements of the State (our largest source of funds), must increase its tuition fees. These inescapable increases in tuition take more and more of the students' Pell Grant funds, leaving them in increasing numbers even more unable to meet parental obligations as heads of families. The net result is that they must drop out of school or take on full-time jobs while attempting to go to college, resulting in divided energy concentration and poorer grades.

A WORD OF APPRECIATION

Again, my sincere and deep appreciation for the opportunity you have given me to speak on these important matters and my abiding hope that from these hearings will come ideas and suggestions that will lead to a more effective Higher Education Act as our nation faces a crucial period in its history—one that might well have its only true solution in a more productive system of higher education throughout the land.

Thank you.

STATEMENT OF DR. HENRY GIVENS, PRESIDENT OF HARRIS-STOWE STATE COLLEGE, ST. LOUIS, MO, ACCOMPANIED BY DR. GEORGE HARREN, VICE PRESIDENT FOR ACADEMIC AND ADMINISTRATIVE AFFAIRS; DR. RONALD DIEDRICHS, VICE PRESIDENT FOR STUDENT AFFAIRS; AND STAN DOWLEN, VICE PRESIDENT FOR BUSINESS AND FINANCIAL AFFAIRS

Dr. GIVENS. Mr. Chairman, Congressman Coleman, members of the House Subcommittee on Postsecondary Education, ladies and gentlemen, thank you for the opportunity to address this important subcommittee.

My name is Henry Givens, Jr., I am president of Harris-Stowe State College which is located in the city of St. Louis, and it has the distinction of being the newest member of the Missouri system of public higher education.

In addition, it is a predominately black college. Accompanying me are Dr. George Harren, vice president for academic and administrative affairs; Dr. Ronald Diedrichs, vice president for student affairs, and Mr. Stan Dowlen, vice president for business and financial affairs. And these gentlemen might assist in any questioning that you might have of the college.

Harris-Stowe is a professional teacher education institution which, over the past 127 years, has been in the business of producing outstanding elementary school teachers, and is now producing a new education professional, the nonteaching urban education specialist.

In a sense, today, I am wearing several hats. In addition to serving as president of an urban college, I am currently serving as a member of the board of directors of the American Association of State Colleges and Universities better known as AASCU, as well as a member of the board of directors of the National Association for Equal Opportunity better known as NAFEO.

NAFEO is a consortium of 141 historically and predominantly black colleges and universities throughout the Nation. Both of these Associations are based in Washington, DC.

Within my allotted period of 5 minutes, I will have time only to briefly state some major points regarding my position and that of Harris-Stowe State College relative to the matter before the subcommittee. However a full text of my presentation has been submitted to members of the subcommittee.

I would preface my remarks with the reminder that as a president of an institution of higher learning that is primarily a teacher education college, I am greatly concerned with three titles of the Act now under consideration for reauthorization. There three titles are title III, title IV, and title V.

Briefly, then, here is our position. Concerning one relative to title III which as you well know deals with providing financial assistance to developing and strengthening the institutions. I would strongly recommend the following for your careful serious consideration.

That title III funds be given special consideration. That title III funds be given special consideration to those undergraduate institutions of higher education that have large enrollments of minority low income students, and which offer demonstrated high quality programs.

Two, that institutionally, eligibility criteria place much greater emphasis on institutional financial need as evidenced in low endowments and insufficient funds from state appropriations or tuition income.

Three, that the Black College and University Act be modified in such a way as to include all institutions which have predominantly black enrollments regardless of whether or not they are historically black institutions.

Four, that an important basis for rating application institutions for title III grants meet their operational needs as well as their needs for developmental planning.

The concern relative to title IV, which again as you well know deals with student financial assistance programs made available through participating institutions of higher education. I would urge one, that the subcommittee give careful thought to the potential negative impact which the administration's proposed budget cuts would have on higher education opportunities for minority and low income youth throughout the whole United States.

Under the proposed cuts, many thousands upon thousands of such youth could possibly be eliminated from access to higher education. In my written testimony which, of course, is much more in depth than these brief remarks, I have tried to highlight in greater detail how these cuts will adversely affect minority and low income youth opportunities under the various components of this title.

Two, that there be an increase rather than a decrease in the funding level of student grant and employment programs. And three, that there be a reallocation and reorganization of these programs in such a way and to such an extent that no truly needy student is cut off from higher education opportunities in this nation.

Concern three relative to title V which deals with teacher education, I urge the following. That the old Teacher Corps be reinstated. But at this time that its mission be changed, so that it becomes the instrument through which vitally needed inservice training opportunities are made available to classroom teachers all across the Nation.

Two, that the old Teacher Center Program be reinstated also. But this time that these centers be located on campuses of teacher education institutions rather than in local education agencies.

Three, that the scholarship program under title V be greatly expanded to include teacher education scholarships for the solid average and slightly above average students who have demonstrated a strong interest in teaching as a career.

I would point out that while it is most desirable that we attract the teachers who are the most academically talented, that realism should force us to recognize that given the present level of attractiveness to teaching that we cannot seriously think that large numbers of the intellectually gifted students are going to choose teaching for their life's work.

The real potential for good, solid, competent teachers to staff the Nation's classrooms are the many, many solid average and slightly above average students who want to teach, and would find it attractive to go into teaching if given financial assistance.

Concern for which may be personal as to my own college, let me point out in the strongest terms possible that we need greatly additional funding to strengthen us in our endeavors to meet a crisis of teacher shortage that will be upon the Nation in the late 1980's or the early 1990's. Ours is a solid, well-established institution that has specialized for well over a century, a century and a quarter, in developing strong classroom teachers. We are specialists in this area, and want to do the best job we need more to significantly enlarge our faculty in such crucial areas as science, mathematics, foreign languages, and computer science. Since we accept some students who need academic assistance, we need to provide a first-class educational development center which has the latest in equipment, software, and highly competent academic assistance.

If there ever was an institution who has the potential for helping our State and the Nation to successfully meet an impending crisis in education and at the same time render invaluable assistance to minority and other low-income students, that institution is Harris-Stowe State College.

But we need the kind of Federal assistance provided through the Higher Education Act to successfully meet this challenge. In addition, we would benefit greatly as would our mission if we had incentives of teacher education scholarships. We are convinced that this college could well be a vital factor in turning the growing dangerous tide in our country of fewer and fewer competent persons the field of teacher.

We ask then that this subcommittee help us in this truly worthy effort. I should like to express again my sincere appreciation and deep appreciation for the opportunity that has been given to me today to say a few words about a truly vital issue. Thank you.

Mr. Ford. Thank you. Mr. Harvey.

[Prepared statement of Richard P. Harvey follows:]

Prepared Statement of Richard R. Harvey, Executive Director, Corporate Secretary, Patricia Stevens Career College, St. Louis, MO; and Chairman, Research Committee, Association of Independent Colleges and Schools

Mr. Chairman. Members of the Committee. I appreciate the opportunity to testify before the Committee this morning regarding important issues involved in reauthorization of the Higher Education Act of 1965, as amended. We appreciate each of you taking your very valuable time to hear our suggestions on the Higher Education Act Reauthorization. I am particularly pleased that I have the opportunity to meet with the esteemed Chairman of the Subcommittee and an outstanding member of the Missouri delegation. Mr. Ford's excellent reputation in the education area precedes him and Mr. Coleman's reputation as an effective representative of the show-me state is well known. Certainly, programs authorized by the Act impact almost all postsecondary institutions throughout the country.

I am Richard R. Harvey, Executive Director of the Patricia Stevens Career College in St. Louis. I also serve as Chairman of the Research Committee of the Association of Independent Colleges and Schools (AICS).

The Association of Independent Colleges and Schools was founded in 1912 and now has a membership of 613 diverse business schools and colleges and another 337 branch campuses. Our institutions range from business or specialized schools offering training of up to one year in length, to junior and senior colleges offering recognized associate and baccalaureate degrees. Approximately 595,000 students are enrolled in these institutions representing a broad range of income and racial backgrounds. Approximately 90% of AICS-accredited institutions are tax-paying business corporations; all of the institutions are non-public. In common with all non-public institutions, they are either entirely or primarily tuition-dependent for operating revenues.

In addition to those institutions accredited by the Accrediting Commission of the Association of Independent Colleges and Schools, there are also more than 2,000 additional private vocational institutions accredited by national accrediting agencies recognized by the Secretary of Education. These institutions serve over 1.1 million students and the students are eligible for federal student financial assistance. According to the National Center for Education Statistics, proprietary institutions enroll three of every four vocational education students. These institutions are free to respond to market needs, starting new programs where need is evident and discontinuing programs when the need no longer exists.

What follows, initially, is a specific overview of the issues which concern our institution most in reauthorization.

Patricia Stevens Career College is a private proprietary institution, accredited by the Association of Independent Colleges and Schools. The primary objective of the College is to provide alternative, career-oriented education to young women seeking opportunities not stipulating a traditional college degree for entry into the field in question. Concentration is on, therefore, job-oriented training enabling the student to realize her objectives within 12 months. Specific courses of instruction include Merchandising, Interior Decorating, Customer Services/Business, Customer Service/Travel/Sabre Operations, and Secretarial/Computer Operations/Word Processing. These objectives when compared with current trends in the American economy are realistic in that the:

a. Majority of positions available are service-oriented.

b. Majority of opportunities available or becoming available require less than a traditional 4 year degree.

Our source of Federal support is the student aid programs. Over 50% of our students (Patricia Stevens Career College, St. Louis, MO hereafter: PSCC) participate in the various GSL programs, another 20% in the Pell Grant Program. (Note: Student population is limited to 200 students of which 70% are recent high school graduates, 30% college transfers). Without these programs, at least at the current level of funding, many of our students could not obtain an education. AICS institutions other than PSCC maintain participation in the above programs at even higher percentages and many include NDSL and SEOG involvement as well.

The most significant impact on our institution with proposed modifications to student aid programs would be the aid cap of $4000, the 25% cut in the special allowance aid to lenders, a cap at 12% on the interest rate paid on new loans to lenders and mandatory multiple disbursement on all loans.

With the cost of attendance at our institution, the maximum amount of financial aid that our students qualify for at the present time does not meet one half of that cost. Therefore a cap of $4000 would put an added burden on those students who do qualify for the maximum awards. These students can only afford a certain amount of self-help.

The GSL loan program provides the majority of financial aid to our institution. This program needs to be supported as it is not a give away source of financial aid and encourages students to accept the responsibility that comes with the pay back. Therefore, banks should continue to be given the incentive to participate in the student loan program. The above changes would provide more paperwork and less return to the lender. It is well known that any time the loan programs provide a lesser return to the bank or guarantor, the most likely candidate for elimination is the vocational student who borrows a smaller amount of money for a relatively short period of time. Such loans are more costly to administer than larger loans and banks tend to resist them.

The ultimate spinoff effect quickly becomes obvious. Business increasingly demands applicants with specialized training, federal aid programs force banks to eliminate loans to specialized trainees, no trainees = a shortage of applicants = a withering labor force = a declining economy = a declining tax base = greater deficits!

An additional concern relates to the current difficulties facing the agricultural community and the potential effects of aid proposals on institutions traditionally supported by students from rural communities. It is difficult enough now for the farm family to qualify for Pell Grants because of the value of land assets in determining eligibility. The proposed levels of eligibility and the lending proposals will serve to make educational opportunities even more unattainable for this group.

We are concerned about the deficit problem and are willing to share in an equitable approach to solving the problem. A FAIR resolution is all that is sought.

As the legislative branch ponders Reauthorization, hopefully the following recommendations would be considered:

a. If current programs are continued or if consolidation of current Title IV occurs, resulting in one loan/one grant and one work program, that the following be assured:

1. Access to GSL's is assured for all eligible students
2. Maximum be increased to $3500 and thereafter be based on some inflation indicator
3. Grace period on repayment extended to 9 months
4. Funds eliminated as a result of consolidation be channeled into the remaining programs and not into the U.S. Treasury
5. Pell Grant level be raised to $2500 also subject to some inflationary indicator
6. Access to the Plus Loan for all eligible students, with funds available up to $4000 annually and with a deferred payment option for the independent student
7. A compromise AGI cap of $60,000

b. Other alternatives could include "hitch-hiking" on current tax reform proposals, including consolidation of programs into one loan/one grant program, charted as follows:

Program	AGI	GSL	Pell	Plus
Level 1	$0-$10,000 (and independent)	$3,500	$2,500	$4,000
Level 2	$10-$25,000	3,500	2,500	4,000
Level 3	$26-$45,000	3,500	1,500	4,000
Level 4	$46-$60,000	3,500		4,000
Level 5	$61,000 +			4,000

The above table is a simplistic presentation and would, of course, need to be carefully reviewed. It is offered as an alternative in an attempt to be more than just a "critic" of federal policies. It would also be feasible to include NDSL, SEOG, and College Work Study Programs into the above table; however, the fact that our institution does not participate and, thus, my lack of familiarity with them does not allow me the speak more directly on those issues. Speaking from an overall viewpoint regarding the proprietary sector, I would hope that Congress would seriously consider the following:

1. Accrediting bodies continue to be the appropriate approval authority in such areas as:

d1. Federal program eligibility; 2. satisfactory academic progress; and 3. ability of the student to benefit.

2. The position paper previously submitted by AICS be thoroughly reviewed including statements pertaining to:

1. General issues; 2. loans (other than multiple disbursement); 3. grants; 4. college work study; and 5. non-title IV issues.

In conclusion, a rationally developed and viable Federal Program would also serve to motivate the educational and financial communities in providing students with assistance in assuming greater financial responsibility in an effort to reduce default. Such efforts should include counseling, financial management education, and coordination of student/institutional communication relative to repayment.

Your invitation to present the views of our institution is sincerely appreciated. Dialogue of this nature can only serve to strengthen the joint committment of government, finance, and education to secure future for all Americans.

STATEMENT OF RICHARD HARVEY, EXECUTIVE DIRECTOR, PATRICIA STEVENS CAREER COLLEGE

Mr. HARVEY. Thank you, Mr. Chairman, and members of the committee. I appreciate the opportunity to speak this morning, especially in my dual role representing a family institution which is a member of the proprietary educational field, and as a result an area that is not always understood and appreciated by other sectors of the higher education community.

I would like to have a change of record. My mother-in-law is the president of our college, and my wife is vice president of the college, and they are both my bosses. And I appreciate the promotion in being invited as being the vice president of the college. Unfortunately, all I am is executive director and corporate secretary of the institution. I would appreciate that, and get them off my back.

I am also speaking in the dual role as the chairman of the research committee for the Association of Independent Colleges and Schools. And as a result, 5 minutes does not give me a great deal of time, and therefore I would refer you to the text that I have submitted for many of the points that we have concerns with regard to both as a an independent institution and as a representative of AICS.

Our particular institution is a 12-month school. We limit our enrollment to 200 women a year. Our role is to prepare young women for alternative careers in the business community.

And as you face the issue of funding for education, I think that we all are very aware of the complexity of the issues that we are facing in education in our country today. If the Department of Labor statistics are accurate and indicate that the majority of jobs that are going to open up in our society between now and the year 2000 are going to require less than a 4-year degree, I think that it is important that we take a look at what is the role of the proprietary sector which traditionally has done an outstanding job in preparing men and women for careers not requiring a degree.

Our particular institution, as I said, limits its students to 200, and we participate in only two Federal aid programs, the Guaranteed Student Loan Program and the Pell Grant Program. We do not participate in NDSL, SEOG, And of course, proprietary schools at this time are currently not eligible for college work study.

AICS is concerned and has submitted a position paper relative to NDSL and SEOG and its position on college work study. So therefore, I would just like to talk about our concerns as an institution.

Fifty percent of our students participate in GSL's. Our current default rate is about one-half percent. In the summary of my text, I think that it indicates a responsibility that I think that many of us as institutions have to face up when counseling our students in providing them with financial education management and the responsibilities in repaying loans. And I think that if all sectors of the industry would pay attention to that, it might improve the default rate.

Approximately 20 percent of our students participate in Pell grants. Our major concerns, as indicated on page 3 of my text, is the significant impact that proposed modifications would have especially in the area of the aid cap of $4,000. That is approximately half the cost of coming to our institution; the 25-percent cut in the special allowance paid to lenders; a 12-percent cap on interest rate paid on new loans to lenders and mandatory multiple disbursement on loans. I would like to point out that my position is institutionally different from AICS.

Obviously, the GSL Program is very important to our students. And as I suggest in my text, we would like to see an increase in the GSL eventually to at least $3,500 with some type of provision for inflationary increases thereafter.

The Pell grant is important, and we would like to see an increase of the Pell grant to $2,500 with an inflationary clause as well.

We hear lots of rumors about what is happening. We hear about things relative to consolidation. We hear rumors as to AGI caps, et cetera. On page 4 and 5, I speak to some of that. If there is any consolidation, I would hope that any funds that result as a result of that would be disbursed into other programs and not put into the U.S. Treasury.

No one has spoken yet about the Plus Program. I would think that the Plus Program is an extremely important source of additional funding for students. And it would be our feeling both institutionally and as an association that the Plus Program be made available not only to current students and parents, but also to the so-called independent student with the provision for that student to have repayment delayed until after the student has actually entered the work force.

It is also my suggestion on page 5 that a compromise AGI cap of $60,000 is far more realistic than the $30,000 or the $32,500 currently being discussed. It is more in line with the thinking of where the middle class of our society currently exists.

If there is any rewriting of reauthorization which I understand is a potential or possibility, I have suggested on page 5 hitchhiking on current tax reform proposals. Obviously, the way that you save money in almost anything that you do is with simplification. And I would hope that you would refer to that chart for an idea starter. It is much more complex than what I have proposed, but certainly would hopefully give individuals some ideas as to where to begin.

I am very concerned about multiple disbursements, primarily because it would be an increase in the cost of servicing to the banks in providing those loans. Traditionally, anytime you have an increase in the cost of servicing loans, the short-term student who typically attends our institution ends up getting cut off.

And we have had that problem in the state where students have not been able to get loans from banks. And the explanation has been it is simply too costly to serve the proprietary short-term student. And as a result, our loan policy is such that we will only provide loans to those students who are attending traditional 4-year institutions.

I consider that discriminatory. I am certainly not in the position to take legal action against those institutions, but I certainly think that it is something that should be brought to attention.

The refund policies of the institution and the Association are such that there is not going to be any short-term or defaulting of funds. And I think that there is a protection built into that.

But I would really urge a very close look at multiple disbursement. In conversations with bankers who deal with our institution, they are all totally opposed to multiple disbursement. And I would hope that the representative of the banking community would speak accordingly.

I thank you for the opportunity to speak this morning, and I would hope that you will speak to the balance of my text as you weigh your decision making which is a very awesome job. We appreciate your coming to Missouri, and thank you again.

[Prepared statement of Richard K. Greenfield follows:]

Prepared Statement of Richard K. Greenfield, Chancellor, St. Louis Community College

St. Louis Community College is the largest public two-year college in Missouri, and one of the largest in the United States. During the fall and spring, enrollment in credit courses is nearly 30,000. The College is supported by local property taxes, state funds and student fees, and was founded 23 years ago primarily to give young adults and adults access to low-cost, quality higher education and job training. Research shows that nearly one-half of the households in the St. Louis area include at least one person who has attended classes—altogether, nearly 400,000 since 1962.

These statistics emphasize the impact that community colleges have had in St. Louis and throughout this country. Community colleges have been able to affect so many lives because of public financial commitment. This commitment, in the form of bond issues, property taxes, state and federal aid (primarily financial assistance), has made higher education accessible to many thousands of middle- and lower-income citizens who train for careers and prepare for transfer to four-year institutions.

Those of us committed to public education try to maintain strong, protective vigilance over this public support in order to assure wide access to our services. Unfortunately, federal support has not been as strong as we had hoped. From 1977 to 1984, the public community colleges' share of Pell Grant funding has dropped 21.6 percent (even though overall Pell Grant funding has increased).

Since the Pell Grant program is the foundation of universal access, two-year public colleges are opposing the budget proposals for the current year that would cut the maximum grant by $100 and reduce the covered-cost cap from 60% to 50%. The 60% cap must not be reduced for the current year. For fiscal year '86, we urge increasing the allowance for covered costs on the Pell Grants to 65%, and the Pell Grant maximum to $2300. These requests would maintain access for the neediest students and stabilize the program at the level of "current services"—thus stopping the cost erosion that has depleted the purchasing power of Pell Grants by one-third over the last five years.

We urge against requiring students to provide the first $800 of their college expenses. We believe that the program should concentrate the majority of its funds on lower-income families, and this is certainly in line with administrative philosophy. Why, then, limit the chances of a lower-income student entering college by requiring the $800 "downpayment?" This provision would have quite the opposite effect of administrative intent.

In addition, we believe that the current "ability to benefit" standard for non-high school graduates should not be abolished. The proposed revision would require a high school diploma or its equivalent for eligibility for all federal programs. As St. Louis Community College, and in many other community college districts nationwide, students are admitted without a high school diploma if they are 18 years of age and have been out of school six months past the end of the last academic year in which they were enrolled. Denying eligibility to these students is at odds with our admissions policies and our institutional commitment to help these students succeed at college-level work.

Finally, regarding funding for the new high-tech partnerships and adult training/retraining programs in Title III of the Carl Perkins Vocational Education Act: The static funding level that has prevailed the last five years has been a major impediment to national progress in adult education. The new Act authorizes $35 million for adult training and retraining, and $20 million for high-tech partnerships—but neither program will start unless funds are expressly appropriated for them.

St. Louis Community College, and other community colleges nationwide, are the direct link between a skilled labor force and local business and industry. We are indispensable to the economic health of our regions, and are in a prime position—if given adequate financial support—to positively affect industrial development, particularly in the area of high technology.

St. Louis has been described as a "hybrid" industrial city, with a mix of "smokestack" industries as well as international firms such as McDonnell Douglas and Monsanto, which are firmly committed to high technology. Local business and industry is revitalizing in a new entrepreneurial climate. A report released two years ago by the Joint Economic Committee of Congress indicated that high labor costs, high taxes, and congestion are making the East and West Coasts less attractive to high tech firms. In comparison, the Midwest offers a better overall investment climate.

The community college plays a vital role in assuring that new business will find technologically-trained people it needs to operate. St. Louis Community College has begun to meet this challenge through its Metropolitan Re-Employment Project which has successfully retrained hundreds of workers laid-off due to failing industry, and its High Technology Resource Training Center, a clearing-house service for local business and industry seeking employee retraining. In a society in which it is predicted that most workers may change fields three to five times during their lifetimes, adult retraining becomes a crucial factor not only for the individual, but for the local economy as well.

Mr. FORD. Thank you. First, Mr. Harvey on your last point. You state that there is strong opposition to multiple disbursement, and say that the banks would all be against it.

What kind of multiple disbursement would they be against, any kind of multiple disbursement?

Mr. HARVEY. Just talking with the bankers that deal with our institution, for example, we are talking about a student at this point who may take out a $2,500 loan. As the bank currently views that particular proposal, they are talking about $1,250 that would be disbursed to the institution at the beginning of the year, and then a second disbursement of $1,250 at the 6-month point of training.

They see that as a cost factor and additional paperwork. And as a result, they feel that that would discourage. Again they are loaning money to the short-term student where there is not the opportunity for them to get an appropriate return as there would be in the case of the student who might be attending a 4-year institution.

That cost can be spread out over 4 years with greater sums of money involved. And therefore, the percentages are of a lesser proportion.

Mr. FORD. You said earlier in your testimony that if there were changes that you would want to see the money reapplied or reallocated to student aid programs, and that would be the effect of multiple disbursement. The first year it costs the Federal Government to make multiple disbursement. We lose, I think it was estimated, $45 million the first year of the Guaranteed Student Loan Program by going to multiple disbursement, because of the peculiarity of the straddling of the school year with the fiscal year.

After that, we would begin to pick up savings, which would then reflect itself in a relief on the fiscal pressure in the program. Strangely enough, although it is the most difficult time to save money in the guaranteed student loan, both the administration and the Senate compromised, and put emphasis on long-term savings.

We have not yet heard very much from the bankers, and I hope that you are underestimating their commitment to the program.

Mr. HARVEY. I might point out that that is a personal position, not an association's position. As you perhaps know, the association, that is AICSS, indicated that of all of the proposed changes that multiple disbursement is the one that they could live with easiest. So I am speaking personally.

Mr. FORD. Well, I can speak personally and tell you that I never meet a banker at the country club who does not think that the Student Loan Program is a lousy program. But the bankers we meet who actually run the program will tell you quite honestly that it is the best paper that they have and that the return compared to other kinds of consumer lending is relatively high.

So there is a difference between the way bankers talk amongst friends. I gather that like lawyers and others that they have two ways of talking, one when they talk at the professional level, and one when they talk at the country club. Because there is an image that they feel has to be perpetuated.

So if you try to learn about lawyers and bankers from seeing them at the country club or at the movies, you do not learn very much.

I want to thank all of you for your testimony and for the effort that you put into its preparation.

Mr. Coleman.

Mr. Coleman. I also want to thank all of you for your testimony. Mr. Harvey, You have a very low default rate which I would like to congratulate the institution for.

What kind of completion rate do you have at your institution?

Mr. Harvey. About 92 percent.

Mr. Coleman. Which is, of course, about 40 to 50 percent higher than the national average.

What do you attribute that to, what is your screening process, and could you give us a little bit on your observation on the ability to benefit from the training that your institution offers, and how we might be able to build upon your experience to have proprietary schools in general to be able to incorporate that? Is there anything that we could do to emphasize things from that standpoint?

Mr. Harvey. I have been in the proprietary industry for 27 years. And my observations would be that I think that the strong suit of the proprietary institutions is to study very carefully what its market is, and then to pursue that market, and do what it intends to do.

In our particular case, our concern has been to pursue the young woman who traditionally goes to college, takes heavily weighted liberal arts programs, and at the end of a year or two chooses that, that is just not what she wants to do.

And that student when she comes into our institution is sort of looking at her education as the last chance at this point. And perhaps her parents have said you have got to do it now. Or else she is taking training that is job related, and therefore she is very highly motivated. And her chances of succeeding are simply based on the nature of the type of individual she is.

We also do a great deal of screening relative to the interests of the student before they enter our institution to make sure that what they are interested in from an occupational interest aptitude is relative to what we offer. So that the student knows before she starts where her interests are, what programs we offer are best suited to what she is interested in doing. And as a result, her purpose is clearer to her.

I think that our industry traditionally and I think the ICS is working very hard on this, it starts with a very legitimate recognition of your admission procedures and what your objectives and goals are, and the type of student that you are attempting to pursue.

I think that you heard earlier Marianne Lawler speak to your group. She represents an institution that is dramatically different than ours. Her student body is probably 75 or 85 percent of minority student. She does an outstanding job. She recognizes her market and she does an excellent job with it.

We do not feel that we are prepared to cope with that type of educational situation, and therefore concentrate on where we feel our strengths and abilities are. And as a result, I think that that has a lot to do with our retention rate. And as far as the default rate is concerned, we do include about 14 hours of financial aid management, budgeting, responsibilities.

Many of our students are from good midwestern rural stock. And as a result, I think that there is a natural responsibility for assuming full payment of their debts.

Mr. COLEMAN. Father Fitzgerald, you indicated that your students had a less than 4 percent default rate on NDSL, I believe the national rate is 14 percent.

Is there anything that you are doing that we could incorporation in legislation to encourage other institutions to do to bring down their default rate?

Father FITZGERALD. I have to confess that like many other colleges we were not very good bankers at the beginning. And I think that over the years that we have learned a lot about carefully informing our borrowers in terms of the borrowing, and then following up with collections.

And we have gradually built up a fairly large staff just to deal with collections. And as we become better bankers, the results have improved.

Mr. COLEMAN. What do you feel could be done which would be an incentive for students to actually use their loan money for educational costs?

Father FITZGERALD. Personally, I am not sure about that. I sometimes hear concerns expressed that if the student receives too much money at the beginning and that it does not go directly to the institution that by second semester that money may have gone to meet other needs. I have heard that concern expressed.

Mr. COLEMAN. I raise these questions with some of the financial aid officers later. Thank you all.

Mr. FORD. Mr. Goodling.

Mr. GOODLING. I thought that I was going to get an answer to a constituent's letter from the Chancellor, but I do not see him now. I guess that I will have to write to him. I have a brother-in-law who believes that he is born again and that the rest of us are heathen. And I used the words that the Chancellor used of soul searching in a Washington window letter that I sent out.

And he circled it and sent it back, that he wondered if I knew what that really means, and that he would like to talk about it sometime. I thought that I was going to get that answer.

Mr. Givens, how many seniors do you have that are teacher education seniors?

Mr. GIVENS. Well, most of them are, I would say 98 percent of our graduating class are in teacher education. Because historically the college has been this.

Mr. GOODLING. Graduates?

Mr. GIVENS. Oh, OK. This past commencement, we graduated 95 students.

Mr. GOODLING. And in the past, how many of your students have actually gone into teaching in the last couple of years?

Mr. Givens. Most of them. I would say probably 95 percent of them have gone into the teaching profession.

Mr. Goodling. That is very good.

Mr. Givens. And most of them have found jobs.

Mr. Goodling. Mr. Harvey, I would say that I question whether your mother and your wife run the show. I have a feeling that you were being very generous. And I can understand that too.

Just one question for all of you. Occasionally, I hear people say that the Federal Government should probably be as much concerned with cost containment in higher education as they are with the medical profession.

What is your reaction to that comment?

Father Fitzgerald. Maybe I should speak to that, since I am the proud proprietor of a medical center. And I certainly think that we all ought to be concerned about the cost of health care. And I say that as being a purchaser of a lot of insurance as well as a disburser of services. As for cost containment in the running of colleges, most of us find ourselves these days in a very, very competitive situation, and we are scrambling to get enough students.

And I think that most of us are extremely aware of the need for cost containment. I personally wear the badge of having since I came to St. Louis eliminated 78 full-time faculty positions without going to court. But that sort of thing is very, very difficult, but obviously it has to be done if we are going to contain costs.

I am not aware that absence of cost containment is a significant problem in the higher education community.

Mr. Goodling. Any others?

Mr. Givens. I would just like to commend Father Fitzgerald for laying off 78 and not end up in court. All I did was transfer a person from administration to faculty and ended up in court. So you have a tremendous record.

We are forced to really watch our costs at the college. We came into the Missouri system some 6 years ago having been a part of the St. Louis public school system for 123 years. So we are old, but new. And shortly after we entered the State system, it seems as though the bottom of the State's coffer fell out. And so the second year in the State system, we got caught in a tremendous cutback at the State level.

So we for the past few years have had to survive. I would say that the State legislature and the coordinating board for higher education, the two have really supported us tremendously during this crisis. So we have had to watch everything.

We have not had the opportunity to hire faculty in these critical positions. So we have had to watch every dollar, and we are really operating in a marginal budget right now. I think that we have been fortunate to even survive these past few years.

Mr. Harvey. Speaking to the proprietary sector again. Again I love mother-in-law jokes, and you know how mother-in-laws are. We are in the marketplace, and we are a proprietary institution. Sometimes it is nonprofit, but that is not by intention. You have to be cost contained conscious in the proprietary industry.

Because unfortunately people many times make decisions to go to a school not on the quality of education, but rather on the size of your parking lot, or the cost of your tuition. And therefore, we are not unlike the automobile dealer. Whoever is in a position to offer an education program that is most realistic from a cost viewpoint. So we are by necessity in the cost containment business.

Mr. **Ford**. Mr. Tauke.

Thank you, Mr. Chairman.

Following up on Mr. Goodling's question, could you tell us how much your costs or fees have gone up in the last 5 years, either from the expense side, the expense to the student, or from the cost side?

Mr. **Given**. I would just say one thing about the tuition cost. When we moved into the State system of higher education the tuition at Harris-Stowe was $175 per semester. Now that is anyone's bargain. This semester the tuition is $360 per semester, and it will go up again next year. So we have more than doubled in the 5 to 6 years that we have been in the State system.

I guess that one good thing is that most of our students, approximately 70 percent of our students, qualify for Pell grants. So that is one thing that has really saved our institution and our student enrollment. But our student enrollment has increased also. Our full-time equivalency certainly is in the same pattern as most other institutions across the Nation. It is declining.

But our overall head count is up tremendously from the 875 students that we started with in 1979, that we are up to over 1300 in terms of head count. This is because of our mission of teacher education. And we are in the whole in-service business of retraining and retooling teachers. And that accounts for this increase.

Mr. **Tauke**. Father Fitzgerald.

Father **Fitzgerald**. Our operating costs in the past 5 years normally have gone up 1 or 2 percent more than the rate of inflation of the previous year. And the reason that we exceed, and there are several reasons why we exceed inflation, is we are particularly vulnerable to the consumption of energy, and we are particularly vulnerable in the purchase of printed material for our libraries.

And it seems to me that the inflation in the costs of printed material resemble the inflation in the cost of foreign oil.

The third factor in my own institution is that during the 1970's we had some financial duress, and went through a long period when we deferred maintenance on our physical plant, deferred maintenance on faculty salaries and library purchases. And we have had some very serious catching up to do, and we have made some progress.

But our assumption has been that if we did not stay fairly close to the rate of inflation that we might have enrollment difficulties.

Mr. **Tauke**. Mr. Harvey.

Mr. **Harvey**. Our tuition in 1980 was approximately $4,000 for 12 months, and now it is about $4,690 for 12 months. So I suspect that we're talking about a rate of about 4 percent.

Mr. **Tauke**. All right. I think that one of the things that has happened over the last several years is that there is the perception that college costs have skyrocketed, without explanation. At the same time, we are seeing agencies of Government and various programs of the Government freeze expenditures for several years. And they have high heating costs, and they have high printing costs, and so on.

I think that, that is where you run into some of the trouble with attitudes towards the student aid programs. One other question.

Father Fitzgerald, for the average undergraduate student from St. Louis University, who is from a low middle income family, what would the average loan load be that that student carries when he graduates? Do you have any idea?

Father FITZGERALD. I have some figures that are a couple of years old. But our students 2 to 3 years back took out $1.2 million in national direct student loans, and over $10 million in guaranteed student loans. Obviously, the maximum would be $2,500 a year.

We have something over 7,000 full-time students including our law and medical students. And 3,000 of them took out the guaranteed student loan—1,150 took out national direct loans. The only specific figures that I recall is that each year three-fourths of our law students and three-fourths of our medical students take out the maximum of the $5000 guaranteed student loans.

Mr. TAUKE. Do you have any concerns that students are emerging from your institution either at the undergraduate level or at the graduate level with such a heavy debt burden that they are really going to have difficulty starting in life. And also, especially as an institution that has the kind of mission that you do, that you are almost forcing them into the very high paying professions, and not giving them the ability to do things like teach, or do social work, or provide other services to the community.

Father FITZGERALD. This is a very major concern. And we see this happening with young lawyers and doctors who may have a strong social awareness, but they have to get into a career pattern as a lawyer or as a doctor that will permit them to cope with the debt service that they face during those early years.

We are kind of in a trap on this. We need the availability of the loan moneys if these students are to complete their program. But the amount of personal indebtedness is I think reaching somewhat alarming limits.

Mr. TAUKE. We all seem to pat ourselves on the back about how cost saving we are when we give out loans rather than grants. And of course, the cost to the Government, is much less for loans than for grants. However, sometimes I wonder if we are performing a service by jacking up the debts that some of these students carry when they leave.

Father FITZGERALD. It is particularly dangerous, of course, with the students from the lower income ranges. It is really terribly challenging for them if they are forced to incur heavy personal indebtedness. I would add that we were concerned about the whole issue of defaulters who had borrowed during their years in medical school, the cardiologists, the neurosurgeons, and so on.

And we did a brief check on this, and we found that most of our default from medical school were people who for one reason or the other had dropped out of the program. So they never got the MD, and they were never able to move into a highly paying profession that permitted them to cope with the high level of indebtedness that they incurred.

Mr. TAUKE. Thank you, Mr. Chairman.

Mr. **Ford**. I think that Tauke just went around one of the dilemmas that has faced this committee for years. In 1979 and 1980 during the authorization, it was fashionable for people to come before the committee and say we ought to double the amount of money that a student could borrow.

That had a lot of appeal. But that far back, we were beginning to see the pattern of extraordinary indebtedness being incurred. That is when we came up with the idea of consolidation which was the one way in which we could provide some income sensitive repayment schedule. That unfortunately has been caught in a snarl between the House and the Senate, and is temporarily in limbo. We hope that we will get some form of consolidation back.

But 15 years ago, the Federal aid money was going about 75 percent in grants and 25 percent in loans. And now we find that grants and loans are about 50-50. If you look at the original message that the President sent up when he sent up his Higher Education Act in 1965, you will find that Johnson's whole explanation of the Guaranteed Student Loan Program was that it was an extra factor added to take care of the middle class, because the primary aim of the grant programs was at the low income students.

Now we have seen that it is no longer something that the middle class uses, but indeed Pell grant recipients and others who were not anticipated when we started as people that would be using that kind of loan are borrowing the maximums as well particularly if they are in a school like this.

Mr. Givens, would you characterize your school in Missouri as a relatively low-cost institution?

Mr. **Givens**. One of the lowest. I believe that there might be one or two other institutions with a tuition base below ours, but not very much. It would be one of the lower.

Mr. **Ford**. Where is your school?

Mr. **Givens**. It is located in the inner city of St. Louis.

Mr. **Ford**. So you are an urban campus?

Mr. **Givens**. It is definitely an urban campus.

Mr. **Ford**. With a large percentage of commuters?

Mr. **Givens**. All commuters.

Mr. **Ford**. How much pressure have you got to increase the size of your student population?

Mr. **Givens**. Well, we would like to increase it ourselves without the pressure. And the enrollment has been going up each year. But as I say, it has been going up on head count and FTE's as the others have been declining somewhat.

I think that we have been helped recently because of the formula. The Coordinating Board of Higher Education has moved away from being funded strictly on enrollment. And that has really helped us in that regard.

Our mission is so narrow, and that is our problem. And that is one reason that we cannot go up a little bit more in enrollment. We are strictly teacher education at this point with one additional degree of urban education which is a nonteaching specialist degree. And therefore, we are locked in as strictly being this teacher education institution.

And we are hoping that in the near future that we will be able to begin to expand our mission at the college to take in computer science and other related fields that are so crucial to this whole area of teacher education.

Mr. **Ford**. Thank you very much.

Father Fitzgerald, I hope that you do not attribute your success in reducing faculty to Bob Mitchell.

Father **Fitzgerald**. They have been through it also.

Mr. **Ford**. We like to think that he learned to be a big spender at Georgetown.

Father **Fitzgerald**. Could I offer one further comment. I have been thinking about concerns expressed over the rapid escalation of college costs. And like yourselves, I read the New York Times. And they periodically do these surveys of college costs. And they always survey the very high cost institutions which are the very ones that are in a position to get away with the big jumps.

But I do not think that their increases in tuition charges are really typical of what is going on around the country, or at the University of Detroit or at St. Louis.

Mr. **Ford**. We have not had an up-to-date study. We had one that ran in the early 1970's until the 1980's. It indicated to us what within a 10-year period overall that tuition lagged considerably behind the CPI. That it averaged about 7 percent a year even during the years when the cost of living index was double-digit.

And I felt that you were getting close to talking about what I call the teakettle with the lid on tight. We were hearing a few years ago of the cumulative erosion in faculty retention and recruitment that was coming as a result of almost 10 years of holding the lid on salaries. So it was beginning to build up into an irritation that was having a deleterious effect on maintaining faculty.

So at that time a few years ago, we were talking about what happens when this kettle starts to boil, and the faculty just stand on their haunches and say we just cannot take it anymore. Schools will have to give.

I think that there are people who will talk too quickly about the accelerating costs of education, and try to find one or two reasons for it isolated from the factors that you mentioned, Father Fitzgerald, and fasten on something like faculty salaries. They say, well, we probably have too many high paid people who are not putting enough of their time in teaching.

That is an easy assumption for any of us who spent some part of our life in colleges and universities to make. I knew a lot more about running a college when I was going to college than after 20 years on this committee.

Mr. **Coleman**. They know a lot more about how to be good Congressmen. [Laughter.]

Mr. **Ford**. Thank you very much, gentlemen.

Mr. **Goodling**. I had one question that I wanted to ask.

Mr. **Ford**. Sure.

Mr. **Goodling**. I was sitting here thinking. Four of the six Goodling children got to a higher education institution probably primarily because of the GI bill.

And I guess particularly, Mr. Givens and Mr. Fitzgerald, what part does the GI bill play in relationship to the student body now? It is a different kind of GI bill, but it is still a very much available one.

Father **FITZGERALD**. The present GI bill does not have a major impact within our institution. I think that it is because or I suppose that it is because it is not really cost sensitive. But maybe I should defer to one of my alumni who tells me that he was being dunned by our student telephoners to help support St. Louis University.

Mr. **GIVENS**. I am going to help St. Louis University's library, because I am a graduate of St. Louis University. And then I am going to ask Father Fitzgerald. I am going to give him an honorary doctorate and make him an alumnus, so he can help us with ours.

I would like to refer this question to Dr. Ronald Diedevich, our vice president for student affairs, who has a firm grip on our veterans program.

Mr. **DIEDERVICH**. We have about 4 percent, I guess, of our student body who are presently attending under one of the VA programs. That number is getting slightly less each year.

Mr. **FORD**. I am sorry, I cannot hear you.

Mr. **GIVENS**. Oh, I am sorry.

Mr. **DIEDERVICH**. Approximately 4 percent of our student enrollment is participating under one of the VA programs, and this number is getting somewhat less each year, because of the restructuring of that GI bill and the contribution that participants must now make.

Mr. **FORD**. Thank you very much, gentlemen.

The next panel is the student aid panel. Ben Sandler, director of financial aid at Washington University; and Mark Nugent, director, student financial aid at the University of Missouri, St Louis.

[Prepared statement of Benjamin S. Sandler follows:]

PREPARED STATEMENT OF BENJAMIN S. SANDLER, DIRECTOR OF FINANCIAL AID, WASHINGTON UNIVERSITY

Mr. Chairman, Representative Coleman, subcommittees members, and members of the subcommittee staff: my subject this morning is the legislating of need analysis for Title IV student aid programs. There are some who believe that the impending Reauthorization of the Higher Education Act should legislate the details of federal need analysis to a much greater extent than is currently the case. They point out that, in the Title IV student aid programs that are need-based, the way need is now demonstrated varies confusingly from program to program: Pell Grants have one formula, campus-based programs another, and for some GSL applicants there is still another. In the campus-based programs, the way need is demonstrated is influenced more by the Department of Education and the postsecondary education community than by Congress—even though it is Congress which authorizes the existence of these programs and appropriates funds for them.

The reformers argue for simplicity, consistency, and closer Congressional control. They believe that student need for all federal programs should be analyzed in the same way, with the same formula. They believe that the logic and the values of this formula should be written explicitly into the Higher Education Act. These convictions are based on a premise to which we all subscribe: the distribution of federal student aid must be controlled by the federal stewards of that aid.

Nevertheless, Mr. Chairman, I have serious doubts, and I believe the subcommittee should have serious doubts, about whether these reforms will work. Although they are well-intentioned, they have a fundamental flaw. They misunderstand the nature of need analysis. They assume that governance principles which work well in controlling need analysis for specific programs can effectively be extended to control of need analysis for all federal student aid.

This isn't so. These two kinds of need analysis differ more markedly than their similar appearances suggest. If Congressional governance of program-specific need analysis is extended in the same way to all federal student aid, the ironic result will be that Congress will lose control of federal need analysis by seeking to control it too tightly. Congress can best achieve its public policy objectives in need analysis with a system of control that carefully includes the oversight responsibility Congress must exercise, but that also includes broad and deep cooperation with the postsecondary education community.

Mr. Chairman, let me pause for a moment to talk about vested interests.

It's been said that resisters of need analysis reform have business interests to protect—private need analysis agencies, for example. Mr. Chairman, whatever may be true of others, I can assure you that neither I nor Washington University has any vested interest in the current system; in fact, I believe Washington University would fare rather well, at least in the short run, in the confusion that the proposed reforms would bring. I speak against these reforms today because I believe their implementation would bring the very disorder and inequity that Congress wants to avoid. When I have finished, I hope you will understand my concerns.

Specific and general need analysis

To understand the risk of reform, it is essential to distinguished between two different kinds of need analysis, specific and general. The distinction is not easy to make because it is a distinction of underlying purpose, not surface mechanics. In both cases the need analysis mechanism is the same equation: college costs, minus family resources, equals financial need. Beneath this common formula, however, lie markedly different purposes.

Specific need analysis establishes student eligibility for a particular financial aid program. Congress does specific need analysis now, and does it well. The formula that determines Pell Grant eligibility is a good example. The formula ranks Pell Grant applicants, but it doesn't claim to measure their complete financial needs. To a large extent, the detail of this formula is properly written into the Higher Education Act; indeed, recent actions by the Department of Education suggest that even closer legislative oversight is appropriate. In this way the formula can accurately implement Congress' policy judgement of the economic range of families who it believes should be eligible for Pell Grants. Tight formula control also gives Congress the means to fit the range of family eligibility to the amount of the Pell Grant appropriation. These political and fiscal constraints are clearly Congress' prerogative to set.

General need analysis, on the other hand, doesn't focus on determining a student's eligibility for aid from a particular program. Instead, its primary purpose is to make the best possible estimate of what families are able to contribute toward college costs, and therefore what they need in the way of total financial aid in order to afford those costs. General need analysis does not involve itself with the political and fiscal constraints that influence specific need analysis. Its focus must always be on the family's objective economic reality. In this respect, general need analysis deals more directly with what is surely Congress' fundamental public policy goal concerning federal student aid: to influence college enrollment decisions; to help make enrollments possible that would otherwise be financially impossible.

College financial aid officers have to work with a general need analysis formula because they are the final orchestrators of aid from all sources. They know that each of their financial aid decisions will determine a family's enrollment decision, and so, they must measure each family's total need for financial aid as fairly as possible.

Currently, the formula that financial aid officers use for general need analysis is one of those approved by the Department of Education each year through the so-called "benchmark" process. Its most widely-used variant is the Uniform Methodology. Colleges use this formula for general need analysis because its use is required by federal campus-based program regulations and by GSL regulations when the family income is greater than $30,000 and other federal aid is present in the student's award.

These regulations insist that, if a total financial aid award contains even a single dollar of campus-based or GSL funds, the total award must not exceed the federally-approved need. For example, in a $10,000 award whose only federal component is a $200 SEOG, the entire $10,000 award cannot exceed the need calculated by a benchmark formula such as the Uniform Methodology. If the total award exceeds the federal benchmark need, then the federal aid has been awarded illegally.

It is critical to understand the importance and power of this rule in the distribution of all student aid, federal and non-federal alike. Usually referred to as the overaward rule, it provides effective federal control over the general need analysis procedures that colleges use. It establishes the need ceilings beyond which all aid, federal and non-federal combined, cannot go.

Curiously, this rule is not supported by statutory language in the Higher Education Act. Colleges nevertheless accept it without challenge, for all the aid they package, because it is usable and credible. It is developed in close cooperation with the postsecondary education community. It evolves from year to year in response to new economic insights, changes in tax law, and intelligence from the front lines—students, parents, and financial aid officers. Nobody embraces it as perfection, but most can live with it as a workable compromise. Finally, it protects colleges from themselves. It restrains colleges from using federal aid to engage in bidding wars, under the guise of awarding need-based aid, to which recruitment pressures might lead them.

As noted earlier, there is considerable interest in legislating the Uniform Methodology and its companion benchmark formulas out of existence. In its place would be substituted a single formula, defined and controlled by Congress. It is uncertain whether the advocates of this position expect to use a single Congressionally-controlled formula for general need analysis, or only for specific need analysis related to eligibility for all federal student aid. The results would be bad public policy in either case.

The negative consequences if the details of need analysis are legislated for all Title IV programs

The programs are especially easy to forecast if a single formula is legislated for the specific need analysis purpose of determining eligibility for federal student aid. In this model Congress would have no interest in dictating to colleges, as the "benchmark" process does, how they should award their own student aid funds. The overaward rule would disappear. Concerning their own funds, colleges could do as they please.

This state of affairs would certainly not eliminate the necessity for general need analysis, because colleges always have to find a way of measuring each family's total need for assistance. Without a federal overaward rule, colleges would be compelled to invent their own.

In today's competitive environment, it is naive to suppose that all colleges would agree to use the same general need analysis formula. Each college would be free to calculate a student's need for total support in its own way. Groups of colleges might gather into loose confederations, but these fragile alliances would quickly shatter in the face of harsh enrollment imperatives.

The ironic result of this model is that Congress would lose control of the larger ends which federal aid supports. Eligibility for total aid, in which federal aid is included, is what determines enrollment decisions, and federal aid in this model will support whatever general need analysis formula colleges decide to adopt, no matter how silly or cynical that formula happens to be.

The negative consequences if the details of need analysis are legislated for all financial aid

Of course, Congress could avoid this outcome by legislating a true general need analysis formula. It could stipulate the formula's logic and values, and stipulate an overaward rule that requires the formula's use whenever a total award contains a dime of federal aid. Congress would thus assume more direct responsibility for calculating not just eligibility for particular federal programs, but for calculating the general needs that determine where students will enroll.

Congress surely has the right to take this action. If it does so, however, Congress could lose a great deal more than it gains. Achieving the essential goal of general need analysis—to measure need with as much fairness and sensitivity as possible—would be made not easier but more difficult. Here is why.

It is in the nature of a general need analysis formula to always be evolving, adjusting itself, to never be a completely finished product. New economic insights are being developed all the time about how families support themselves. Tax law changes may alter the way in which an income appears on the 1040, even though the income itself has not altered at all. Pension plan structures and participation rates may change. Changes in medical insurance may cause new medical expenditure patterns.

For a formula with these characteristics to work well in practice, a governance mechanism is required that is constantly attuned to these kinds of issues and can act with flexibility and speed. If direct Congressional action is required before such changes can be evaluated and implemented, the result will be a process that is far too slow-acting and cumbersome for Congress' own intent.

There is another sense in which Congress would undercut its own goals if it insists on close and direct Congressional control of general need analysis. Colleges must use a general need analysis formula that is neither too stringent nor too generous, and that students and families find credible. If colleges perceive that the Congressionally-controlled formula has lost these characteristics, they will act in their own interest.

For example, imagine a situation in which colleges believe that the federal definition of need has become far too generous, that families in reality do not need as much as the federal formula insists, and that the consequences of meeting that need are fiscally unacceptable. Faced with this situation, colleges will surely develop their own calculation of need. Their calculation would not violate the federal overaward rule because it would generate financial aid awards less than what Congress has authorized. Congress would thus lose control of a process by seeking to control it too tightly.

In summary, if the colleges perceive that Congress is forcing on them a formula that they can't live with, they have the means to go their own way. The result is bad public policy. Congress would lose control of the uses to which federal funds are put. Colleges would war among themselves with a dozen different formulas. Students and parents would find themselves in a financial aid environment more confusing than anything they have experienced so far.

The benefits of cooperative control

The best alternative is a governance structure for general need analysis that is inclusive and flexible. Congress would establish the guidelines that insure proper Congressional oversight. Within those guidelines, the formula-making process would include participation by a broad cross-section of the postsecondary education community. Colleges will be motivated by their own self-interest to sponsor the economic research that places the need analysis formula under constant scrutiny and in a healthy state of gradual but continual evolution. Colleges are similarly motivated to generate need analysis outcomes that work in the marketplace but that don't spend any more than is necessary. Collegiate temptations to manipulate the formula for recruitment purposes are effectively suppressed because the formula will ultimately be controlled by Congress, and will have to be the product of compromise among all sectors of the postsecondary community.

The Congressional guidelines within which colleges would work could stipulate in general terms what aspects of each family's situation the formula should consider. These guidelines might also authorize the development each year of something like the current benchmarks—family contribution calculations that impose a general but comprehensive constraint on the colleges' activity. Congress could review these guidelines annually, either accepting them or requiring revision.

The resulting formula won't be perfect. Any general need analysis formula is a collection of value judgements about which reasonable men and women will disagree. But a formula generated and modified through open debate and compromise among all interested parties will serve Congress far more effectively than one which hardens every detail of the formula into the comparative rigidity of law.

Mr. Chairman, it would be derelict for me to complete my testimony this morning without acknowledging your and Mr. Coleman's extraordinary devotion to the cause of federal student aid. The commitments that both of you have undertaken, and the energies you have expended, have meant better educational opportunities and achievements for millions of American citizens.

For this reason in particular, Mr. Chairman, I hope the subcommittee will think long and hard before it moves to reform need analysis. The good work accomplished by the rest of Title IV can be undone by reforms that mean well, but that bring confusion and inequity to the analysis of what families can afford to pay towards college costs.

STATEMENT OF BENJAMIN SANDLER, DIRECTOR, FINANCIAL AID, WASHINGTON UNIVERSITY, ST. LOUIS, MO

Mr. SANDLER. Mr. Chairman, Representatives Coleman, Goodling, and Tauke, and members of the subcommittee staff, my name is Ben Sandler, and I am director of financial aid at Washington University in St. Louis. I appreciate the opportunity to talk with you this morning.

My subject will not be programmatic, but it will be need analysis. Specifically, I would like to talk to you about the legislating of need analysis for title IV student aid programs. These comments are a brief summary of my written testimony, and I believe that you have copies of my oral testimony as well as those written before you now.

There are some who believe that the impending reauthorization of the Higher Education Act should legislate the details of Federal need analysis to a much greater extent than is currently the case. These convictions are based on a premise to which we all subscribe, the distribution of all Federal student aid must be controlled by the Federal stewards of that aid, that is Congress.

Nevertheless, Mr. Chairman, I have serious doubts, and I believe that the subcommittee should have serious doubts about whether these reforms will work. Although they are well-intentioned, they have a fundamental flaw. They misunderstand the nature of need analysis.

They assume that Government principles that work well in controlling need analysis for specific programs can effectively be extended to control of need analysis for all Federal student aid. I do not believe that this is so. These two kinds of need analysis differ more markedly than their similar appearances suggest.

If congressional governance of programs' specific need analysis is extended in the same way to all Federal student aid, the ironic result will be that Congress will lose control of Federal need analysis by seeking to control it too tightly.

Congress can best achieve its public policy objectives in need analysis with a system of control that carefully includes the oversight responsibility that Congress must exercise, but that also includes broad and deep cooperation with the postsecondary education community.

To understand the risk of reform, it is essential to distinguish between two different kinds of need analysis, specific and general. Specific need analysis establishes student eligibility for a particular financial aid program. Congress does specific need analysis now, and does it very well.

The formula that determines Pell grant eligibility is a good example. The formula ranks Pell grant applicants, but it does not claim to measure their complete financial needs. To a large extent, the detail of this formula and congressional oversight of it is properly written into the Higher Education Act, so that the formula can accurately implement Congress' policy judgment of the economic range of families who we believe are eligible for Pell grants.

Tight formula control also gives Congress appropriately the means to fit the range of family eligibility to the amount of the Pell grant appropriation. These are political and fiscal constraints that are clearly the prerogative of Congress to set.

General need analysis is what colleges do. General need analysis does not focus on a student's eligibility for aid from a particular program. Instead its primary purpose is to make the best and most objective possible estimate from an economic point of view of what families are able to contribute for college costs, and therefore what they need in the way of total financial aid in order to afford those costs.

General need analysis does not involve itself with the political and fiscal constraints that properly influence specific need analysis. Its focus must always be on the family's objective economic reality. In this respect, general need analysis deals more directly with what is surely Congress' fundamental public policy goal concerning Federal student aid. That is to influence college enrollment decisions, to help make enrollments possible that would otherwise be financially impossible.

That is because students and families make their enrollment decisions based on the totality of aid available to them, not on the basis of aid from a specific program.

It is not difficult to speculate on the consequences if current need analysis procedures are legislated out of existence, and a single formula defined and controlled by Congress is substituted in their place.

The problems are especially easy to forecast if a single formula is legislated for the purpose of determining eligibility for all Federal student aid, but only Federal student aid. In this model, Congress would say that it has no wish to dictate to colleges how they should award their own student aid funds. Concerning their own funds, the colleges would do as they please.

This state of affairs would certainly not eliminate the necessity for general need analysis. Because colleges always have to find a way of measuring each family's need for assistance.

In today's competitive environment, it is naive to suppose that colleges left to their own devices would agree to use the same general need analysis formula as the Department of Education's benchmark rule requires them to do now. Each college would be free to calculate a student's need for total support in its own way.

Groups of colleges might gather into loose confederations, but these fragile alliances would quickly shatter in the fact of harsh enrollment imperatives.

The ironic result of this model is that Congress would lose control over the larger ends which Federal aid supports. Eligibility for total aid in which Federal aid is included is what determines enrollment decisions. And Federal aid in this model will support whatever general need analysis formula colleges decide to adopt for determining total aid no matter how silly or cynical that formula happens to be.

Well, Congress could avoid this outcome by legislating a true general need analysis formula. It could stipulate the formula's logic and values, and stipulate a crucial rule that requires the formula's use whenever a total award contains a dime of Federal aid.

Congress would thus assume more direct responsibility for calculating not just eligibility for Federal programs, but for the general needs that determine where students will enroll.

Congress surely has the right to take this action. If it does so, however, achieving the essential goal of general need analysis, a goal that I am sure that Congress shares, to measure need with as much fairness and sensitivity as possible would not make it easier but it would be more difficult and here is why.

It is in the nature of a general need analysis formula to always be evolving, adjusting itself, to never be a completely finished product. New economic insights are being developed all of the time about how families support themselves.

Tax law changes may alter the way in which an income appears on the 1040, even though the income has not altered at all. Pension plan structures and participation rates may change. Changes in medical insurance may cause new medical expenditure patterns.

For a formula with these responsive characteristics to work well in practice, the governance mechanism is required that is constantly attuned to these kind of issues and can act with flexibility and speed.

If direct congressional action is required before such changes can be evaluated and implemented, the result will be a process that is far too slow acting and cumbersome for Congress' own intent.

There is another sense in which Congress would undercut its own goals if it insists on close and direct congressional control of general need analysis. Colleges must use a general need analysis formula that is neither too stringent or too generous, and that students and families find credible.

If colleges perceive that the congressionally controlled formula has lost their characteristics, they will act in their own interests independently. For example, they will surely develop their own general calculation of need. This calculation would not violate Federal rules, because it would generate total financial aid awards less than what Congress has authorized. Congress would thus lose control of the need analysis process by seeking to control it too tightly.

In summary, if the colleges perceive that Congress is forcing on them a formula that they cannot live with, they will be able to go their own way. The result is bad public policy. Congress would lose control of the uses to which Federal funds are put. Colleges would war among themselves with a dozen different formulas.

Student and parents would find themselves in a financial aid environment more confusing and more inequitable than anything they have experienced so far.

A better alternative is a governance structure for general need analysis that is inclusive and flexible. Congress would establish the guidelines that ensure a proper congressional oversight. Within those guidelines, the formula making process would include participation by a broad cross-section of the postsecondary education community.

The resulting formula would not be perfect. Any general need analysis formula is a collection of value judgments about which reasonable men and women will disagree vehemently. But a formula generated and modified through open debate and compromise among all interested parties will serve Congress far more effectively than one which hardens every detail of the formula into the comparative rigidity of law.

Mr. Chairman, it would be derelict for me to complete my testimony this morning without publicly acknowledging your and Mr. Coleman's, and this subcommittee's extraordinary devotion to the cause of Federal student aid. The commitments that you have undertaken, the energies and the talents that you have expended have meant better educational opportunities and achievements for millions of American citizens.

For this reason in particular, Mr. Chairman, I hope that the subcommittee will think long and hard before it moves to reform need analysis. The good work accomplished by the rest of the title IV can be undone by reforms that mean well, but that bring confusion and inequity to the analysis of what families can pay toward college costs.

Thank you, Mr. Chairman.

Mr. **Ford**. Mr. Nugent.

[Prepared statement of Mark Nugent follows:]

Prepared Statement of Mark Nugent, Director, Student Financial Aid, University of Missouri, St. Louis

The University of Missouri-St. Louis is part of the four camus system of the University of Missouri. The enrollment at the University of Missouri-St. Louis was over 11,000, in the Fall of 1985, and about $5 million in assistance will be provided to our students. The University of Missouri-St. Louis is an urban commuter campus without dormitories.

We appreciate the invitation to testify. We feel that our institution has a special mission to bring quality University level education to many students who otherwise could not obtain it. Our students are often the first in their families to have this opportunity, and they usually are in the work force at least part-time while attending classes day and evening. The University of Missouri-St. Louis was founded in 1963, and thus in a sense grew up with financial aid.

Our comments will follow the outline of the letter of invitation.

Recommendations for Improvements to Title IV programs

In general the Title IV programs have served the students and the public interest well. They have evolved to meet the educational needs of people enrolled in postsecondary education. It does not seem to us necessary at this time to completely restructure these programs. To do this would require an enormous effort to develop a plan that could achieve a consensus, and time would be needed to research all the implications of such a plan.

Changes will always be appropriate in financial aid, but it should be gradual change with plenty of advance warning in order that students and institutions can understand the changes and prepare to deal with them. Changes should be mostly refinements at this time.

1. *Pell should be made a true entitlement.*—If appropriations can not be all that ideally we would like them to be, at least we should know from year to year what a student's Pell Grant will be, and we should be able to tell a student what his or her award will be when the student presents the Pell Grant Student Aid Report. Because of the number of our part-time students on our campus we would not support a limitation on the number of semesters that a student can receive a Pell Grant. Any such limitation should take into consideration the needs of the part-time urban student.

2. *Supplemental Educational Opportunity Grant.*—Proposals have been made to eliminate this program or merge it with other grants. If this program were eliminated it would just put pressure on students to drop out or borrow more. If it were submerged in another type of grant program its unique purpose of assisting the truly needy student would be lost. If it were in the formula driven Pell Grant it would not have the flexibility to be used in special circumstances. At present it can be used to alleviate those hardships that extremely needy students face. However, the distinction between continuing year and initial year funds seem to serve no useful purpose and could be discontinued.

3. *National Direct Student Loan.*—The National Direct Student Loan has the longest history of any of the Title IV programs, and it certainly has had a lot of bad publicity concerning repayment of prior loans. Lending to students will always be a risky business. However, schools are now more sophisticated in their collection techniques and default rates should in the future be in control. We have seen that schools who do not wish the burden of collection have voluntarily dropped out of the program.

Default rates can be improved if packaging philosophies are adopted which concentrate grant and work money on underdivision students and loan money on upperdivision students. I am sure that students who have graduated and benefited from their education are always more willing and able to repay.

It may seem redundant to have both the Guaranteed Student Loan Program and the National Direct Student Loan Program; however, we find that it is helpful to have the option to award some students smaller loans, which take less processing time, making them immediately available.

4. *College Work-Study.*—College work-study has been enormously helpful both to students and institutions. Allocations should continue at and, hopefully, above current levels. But money should not be put in this program at the expense of maintaining the other programs. While work is virtuous, it should be remembered that students can only work a certain number of hours a week and still adequately pursue their studies.

ADEQUACY OF FEDERAL STUDENT AID FUNDS FOR THE UNIVERSITY OF MISSOURI—ST. LOUIS' POPULATION

As can be seen from the table attached, campus based awards to our school have not kept pace with tuition on the campus. Increasingly, since the student's Pell Grant is not sufficient for tuition and books, the student must resort to Guaranteed Student Loans.

Definition of Independent Student

The general position that we have taken is to modify as little as possible. However, it may be that the definition of independent student needs to be looked at closely. The current definition is reasonable, but it is difficult to monitor cash payments from parent to student and days a student might have lived with parents. Of course, we at UMSL, are now asking to see the income tax forms of the parents of independent students under 23.

It may be best to take a philosophic position that students under 22, should be dependent on their parents, and therefore, in the eyes of the financial aid system, they are. This definition could create a tragic situation for those students whose parents are able to contribute, but because of family differences or because of an ingrained belief that children over 18 should be on their own, refuse to contribute. This is an attitude that perhaps is more common among parents who themselves did not go to college.

Nevertheless, if some families were able to adopt that position, then it would be a general practice as time passed. It might be seen as a way of getting aid not otherwise attainable.

Thus, a solution might be to consider all students under the age of 22, unless an orphan or a ward of the court, dependent. All married students and veterans, 22 and over, should be considered independent. Other students, 22 and over, would be subject to the same test as is now in effect. They would be required to answer questions about money received, living with their parents, and being declared as exemptions on their parents' income tax.

STUDENT INDEBTEDNESS

We are very concerned about student indebtedness, particularly among our Optometry students. They are professional students, but it does seem that even with projected incomes on the professional level, they will experience hardship unless they find themselves in lucrative practices.

Even among undergraduates, $10,000 in debt after college will be a hardship that many young people do not completely comprehend. I am aware of situations where parents about to send children to college are still paying off their own Guaranteed Student Loans.

I offer my suggestions hoping that the means exist to implement them.

1. Keep increases in maximums per year under Guaranteed Student Loans modest and in line with inflation.
2. If all students had to show need under Uniform Methodology Calculations of Family contributions, it would help to keep overall indebtedness down. Each loan would be truly necessary in light of the family's overall financial picture, including assets. However, this action would be unpopular with middle income families who are looking for some assistance with college expenses.
3. Provide an interest subsidy for Health Educational Assistance Loans. The loans themselves are bad enough; the compounding of interest is ruinous to a new professional setting up a practice.
4. Develop Grant programs for graduate and professional students, but these should not be at the expense of the undergraduate Pell Grant Program.

MODIFICATIONS TO ELIGIBILITY FOR PELL GRANT AND GUARANTEED STUDENT LOAN PROGRAMS

1. The Pell Grant Program should not be modified except to make it a true entitlement. It has served well as the cornerstone of financial aid.

2. At this time the Guaranteed Loan Program is working well for this school. If adjustments are made to require multiple disbursements during the course of the school year, we would be willing to undertake the administrative task in order to curtail abuse and decrease overall cost.

We recognize the costs of this program may make some changes necessary. Not being knowledgeable in banking matters, we can not predict what effect changes in special allowances and such like matters would have on the bank's current interest in the program. We like the present situation where our students have no trouble finding lenders.

Self Help Proposals

It is reasonable to expect some form of self help from students. Indeed we do require a contribution toward the expected family contribution from the dependent summer student's summer savings. However, we have the option to waive that if documented circumstances warrant. Some groups of young people, especially minority students, have a high unemployment rate and find it impossible to get summer jobs.

We would not object to requiring students who receive Supplemental Educational Opportunity Grants to also take College Work-Study or a NDSL. However, a self help contribution which is built into the calculation of the Pell Grant Award would have disasterous effects. Many students might lose their eligibility for grants under such a system.

FUNDING CAMPUS BASED FEDERAL FINANCIAL AID

	1980-81	1981-82	1982-83	1983-84	1984-85
Supplemental Educational Opportunity Grant	$154,104	$139,273	$126,701	$127,757	$132,281
College Work-Study	285,000	261,870	247,559	275,905	260,267
National Direct Student Loan F.C.C.	195,111	129,940	128,117	167,809	18,721
Totals	634,215	531,083	502,377	571,471	411,269

FEES FOR UNDERGRADUATES

	1980-81	1981-82	1982-83	1983-84	1984-85
12 hrs	$828	$942	$1,161	$1,116	$1,189
13 hrs				1,202	1,288
14 hrs				1,288	1,387

STATEMENT OF MARK NUGENT, DIRECTOR, STUDENT FINANCIAL AID, UNIVERSITY OF MISSOURI, ST. LOUIS

Mr. **Nugent**. Mr. Chairman and members of the committee, my name is Mark Nugent, director of student financial aid at the University of Missouri, St. Louis. The University of Missouri, St Louis is part of the four campus system of the University of Missouri. The University of Missouri, St. Louis is an urban commuter campus without dormitories.

We appreciate the opportunity to testify. We feel that our institution has a special mission to bring quality university level education to many students who could not otherwise obtain it.

In general, the title IV programs have served the students and the public interest well. Changes will always be appropriate in financial aid, but it should be gradual change with plenty of advance warning in order that students and institutions understand the changes and prepare to deal with them.

Refinements, of course, can be made. Pell should be made a true entitlement. If appropriations cannot be all that we ideally would like them to be, at least we should know from year to year what the student's Pell grant will be to be able to tell the student what his or her award will be when the student presents these Pell grant student aid reports.

We would not support a limitation on the number of semesters that a student can receive a Pell grant.

Now proposals have been made to eliminate the supplemental educational opportunity grant. If this program would be eliminated, it would put pressure on the students to drop out or borrow more. If it were submerged in another type of grant program, its unique purpose of assisting the truly needy student would be lost.

However, the distinction between continuing year and initial year funds seems to serve no useful purpose, and could be discontinued.

The national direct student loan has the longest history of any of the Title IV Programs. And it certainly has had a lot of bad publicity concerning repayments of prior loans. However, schools are now more sophisticated in debt collection, and I think that we will see default rates improve.

It may seem redundant to have both a Guaranteed Student Loan Program and a National Direct Student Loan Program. However, we find that it is helpful to have the option to award some smaller loans that take less processing time.

College work-study has been an enormously helpful program. But money should not be put into this program at the expense of maintaining other programs. Students can only work so many hours a week, and adequately pursue their studies.

Now the adequacy of Federal student aid funds for the University of Missouri, St. Louis population. Our campus based awards in particular to our school have not kept pace with tuition on this campus. In the table, I listed some of the changes in our awards, and I did some calculations since then, and found out that campus based funds dropped 35 percent at the same period of time that tuition was increased 67 percent.

Some things that we were asked to address is the definition of independent student. Thirty-five percent of our students claim independency. I think that a lot of people want to take a look at this. And I think that the best proposal that I have seen is to consider all students under the age of 22 unless an orphan or ward of the court dependent.

All married students and veterans 22 or older should be considered independent. Other students 22 years and older would be subject to the same test that is now in effect.

And I might add that it might be reasonable to have an upper cap also where any student no matter what their situation 25 or older would be independent. Because it seems that there must be an end when parents have to support students in their education.

Another concern that we were asked to address is student indebtedness. We are very concerned about this among our optometry students. Seventy percent of our optometry students do receive loans. Optometry is our one professional school.

The way to control the student indebtedness I think would be to keep maximums per year under guaranteed student loans modest and inline with inflation. And if all students had to show need to get a guaranteed student loan, this would be helpful.

I think that if an interest subsidy could be provided for health education loans, that this would be very helpful. I think that the compounding of interest in that program is presenting a huge debt burden to a new professional setting up a practice, especially a professional in a field that is not as lucrative as some of the other health service fields.

Addressing self-help proposals, it is certainly reasonable to expect some form of self-help from students. And we do expect students to work and have a contribution from savings. However, a self-help contribution which is built into the calculation of the Pell grant award could have disastrous effects. Many students might lose their eligibility for grants under such a system.

That concludes my remarks. Thank you.

Mr. **Ford**. Thank you.

Mr. Sandler, it costs about $9,000 here for cost of attendance?

Mr. **Sandler**. Tuition.

Mr. **Ford**. Tuition?

Mr. **Sandler**. Correct.

Mr. **Ford**. What do you figure the cost of attendance?

Mr. **Sandler**. This year, about $13,000.

Mr. **Ford**. That puts you about four times the cost of Mr. Nugent's institution.

Mr. **Sandler**. We also lack State appropriations to support our operations.

Mr. **Ford**. Would you then consider yourself to be in the category that the Secretary refers to as a high cost private institution?

Mr. **Sandler**. You bet.

Mr. **Ford**. I take it that you have spent a good deal of time with the needs analysis question. And you put great emphasis on the fact, which I assume is predicated on your own experience at this university, that you look with a good deal of specificity at the conditions under which a student finds himself at the time that they present themselves to you for a package.

Mr. **Sandler**. We do the best we can.

Mr. **Ford**. On the basis of that kind of examination, how many students do you figure you have on this campus who are having their education paid for by us from families of $100,000 or more?

Mr. **Sandler**. Zero.

Mr. **Ford**. Well, we are going to find one someplace. The Secretary says there are 13,000 of them out there.

Mr. **Sandler**. You all know very well, because you wrote an excellent letter to the Secretary on the subject, that the Secretary's sources are suspect to say the least.

Mr. **Ford**. It just does not extrapolate the way that they did it. But I think that that was done by budget people over there, not by program people.

The needs analysis question is one that obviously is going to be very difficult to wrestle with because of the attention that has been put on it and the fiction which is now accepted as part of the folklore in this country, that indeed we do pay a substantial amount of the Federal education benefits to upper income families.

Mr. **Sandler**. Yes.

Mr. **Ford**. I am not at all sure from what you have said here or the conclusion that you reached on just how far the statute ought to go in spelling out the parameters of a needs analysis.

Mr. **Sandler**. I think that it is dangerous for the statute to go too far in spelling out the parameters. On the other hand, Congress has to exercise some oversight. Congress has to exercise some judgment. And that judgment has to be written in the law concerning the limits of need analysis, how far need analysis ought to go.

One approach might be to legislate the methodology that the Department of Education now operates, essentially independently and dangerously for that reason I think, to establish parent contribution outcomes. The Department of Education says to us college financial aid officers now essentially this, and I'm overstating slightly for the sake of making a point.

That we do not care how you get this conclusion, but whatever formula that you use has to come within shouting distance of this conclusion for a family of given economic characteristics, family size, income, and assets.

That is one idea that makes sense to me of proper congressional oversight. If Congress goes a step further and starts to try to say how income ought to be defined in the law, if Congress starts to say in detail how assets ought to be treated in the law, then you are freezing into what I feel is the comparative rigidity of law a formula and a set of details that have got to be responsive to changing circumstances.

Now if the law cannot be responsive, then we cannot tolerate results that do not make sense from the point of view of our budget. And in one way or another, we will do what we need to do to remain viable and stable financially. I think that colleges have the means to do that. If you try to impose too heavy of a hand on the legislating of the details of the need analysis.

I know that ACE and I know that the Coalition has given you specific recommendations. I would like to think that because they have been finlandized, and not because they really believe in those recommendations. I know that NASFAA has talked in positive terms about specificity. I think that it is very dangerous.

Mr. **Ford**. You did touch on one of the other dangers. I became very concerned when one of the new Republican members pinned the—I believe it was one of the new Republicans, but maybe it was one of the new Democrats—pinned the Secretary down about who writes the present regulation on need analysis. I think that he was surprised when his staff told him that he did.

But I thought that I saw the light bulb go on. And I think that the question was put that if you are letting all of these rich kids get money, why won't you rewrite it? And I am a little worried about the incentive that there might be there to recognize that that is a rationing tool that we do not any longer, because of the court decisions on congressional review of regulations, have much ability to stop.

Mr. **Sandler**. Absolutely. And I think that one way to minimize the risk of abuse from the Department of Education, which could be abuse in any direction—you know, 5 years down the road, it could be in another direction entirely—is to legislate the outline, and then let the details of the formula be worked out in cooperation with the whole post-secondary education community.

It will be messy. Lots of people will not agree. Nobody will be completely happy with the formula, but it will be something that everybody can live with, I feel.

Mr. FORD. Mr. Nugent, you pointed up another area that is going to get a lot of attention, and that is defining an independent student. And after getting us into it, you then came down with a rather rigid criteria of using age, age 22.

What is the magic of that? In the pattern of the present school population in this country what suggests that that is an appropriate age to determine independence?

Mr. NUGENT. Well, it seems to me that there is either a commitment on the part of parents to put a student through 4 years of college which would take him to age 22, or there is not. And I think that if the public is going to accept any turning point in age, I think that it would be 22.

We see patterns of parent behavior if you will that I have an obligation to put you through high school, and then that is enough. And this incidentally even from people who spent a lot of money on a high school, private school education. Parents will say we will put you through college, and then that is enough. You do not usually see people say, well, I will put you through a couple of years of college.

So I think that there is either that expectation or there should be, or that there is a total rejection of an expectation of 22. I think saying there is a total rejection of paying or helping to contribute, I do not think that that can be supported. Because it would soon spread. If some people can deny their obligation, then soon all people will.

And I guess that we see this, my perspective on this is not so much philosophical or statistical, but from talking to people who day to day come into the office and talk to me about their problems with getting their parents to support them through college, or to provide support when they are able to support.

And I think that it is a matter of education, as I mentioned in my paper. I think that parents have to be educated, particularly if they themselves did not go to college. Parents have to be educated, or at least it has to be made aware to them that college expenses if they are able are something that they should contribute toward.

Mr. FORD. What do we know about the percentage of people in post-secondary education in this country now who in fact live with a parent, never mind parents, at the time that they enter school?

Mr. NUGENT. We know now——

Mr. FORD. Since the last census we know that the so-called typical family does not exist. Less than 11 percent of all of those people who fall in the category of living in a family live in a typical family of four, two parents and two children. That now is only 11 percent of the count that we made in 1980.

So we have been looking at the computer runs on the 1980 census and discovering that most of it is because we are most influenced by our own community and our own acquaintances, and have really developed some rather rigid ideas about what American family life is all about. The numbers tell us that it is just not real.

Now what do we know when we start generalizing about people under 22 being dependent on somebody, about how many people reaching postsecondary education institutions under 22 are indeed living with either parent, never mind both, or with both?

Mr. Nugent. Well, perhaps Ben has the statistics. But in the 18 or so high school visits that we did this year both in rural areas and in city areas, there would always be one or two students, and a counselor would come to me, who have been genuinely independent for several years. Making it on their own since they were 15. Sometimes living with an aunt, sometimes a friend.

Mr. Ford. What kind of an exception would you write into the 22 year old definition to take care of that person?

Mr. Nugent. You would also have to, I would say, get a social worker's report, I think, to verify that that is the case. In many cases, a counselor can document that, and has been working with the student for several years.

Mr. Ford. You could not do that at the student aid office?

Mr. Nugent. I do not believe so. To simply have a person come in and sign a statement that I have not been living with my parents for 2 years, I would want more documentation.

Mr. Ford. What if you asked him to attest under oath as to how much aid in fact they can expect from their parents?

Mr. Nugent. We have had an affidavit of nonsupport which is a notarized document which we have kept until recently when we switched to another document. But we kept a notarized affidavit of nonsupport after the regulation no longer required it. Just because we found that the effect of the notary added a little solemnity, I think, to the signing of the paper. And it did seem to——

Mr. Ford. It also turned it into a felony.

Mr. Nugent. Yes, sir; and that was helpful, we think. But we still never know, I guess.

Mr. Ford. Well, we have had testimony of a woman running schools in New York that teaches basic entry level skills for general office work, who gave us a stereotype of her school in the Bronx. She used a Hispanic woman, 19 years old with two children to support, who put them in a day care center in the morning, and returned to pick them up and fed them at night, and worked a night job, and went to a school in a program that would only take 6 months, but would presumably at the end of that 6 months let her apply for an entry level job.

Should we just not consider that as an important factor in postsecondary education, and concentrate on the traditional 4 year college for students coming out of high school.

That brings me to another question. We now know that there are almost more people in the nontraditional cohort involved in postsecondary education than those within the traditional cohort. So the traditional student is no longer numerically traditional.

I am surprised a little bit to get this from an urban university, because it is generally there that you see the kind of mix that this woman was describing, a commuter student who would be going to Washington if they had a family to help them, who are probably taking the street car or whatever you have got here in the way of public transportation. Or somebody coming to your school because it costs one-fourth of the cost of coming here.

Mr. **NUGENT.** I think though that the students in these deprived circumstances that there would be no expected family contribution, so that there would be no problem.

Mr. **FORD.** Well, we already create the presumption in the present system of a family contribution whether it exists. A parent might say I will be happy to help you if you are going to become an engineer, but not if you are going to go off and waste your time studying music, or the history of art, or something in the humanities, because I cannot see how you are going to be making a living doing that.

For all intents and purposes, that student is completely without resources. We create the fiction in the present system that the parent is not only there, but willing to pay for education. And in addition to that, willing to pay for education of the person's choice when in real life we just know that that is not true.

If I am going to pay the bills for my kids to go to school, I am going to have something to say about where they go to school and what it is that they pick as a career goal. That is a normal sort of selfishness that we have as parents. I have wondered over the years about the imperfection of the present rigid presumptions that we make. And now you are suggesting, as has been suggested by the administration, an even more rigid program.

And the thing that bothers me is that I never knew why 21 years old was the age of majority until we debated the constitutional amendment to provide for the 18-year-old vote in the House. And a lot of us were forced to start looking at it. Through college and law school, it never occurred to me to question why the law of this country had blindly accepted 21 as the age of which you became an adult for all legal purposes.

And the best explanation that I could find was that some 500 or 600 years ago in Great Britain in the days of chivalry among the people who counted, to wit the families of people who owned real estate, that if you were going to buy a really first class set of armor for a young person, you waited until they were 21, because they had figured out that they had quit growing by then, and you cannot let armor out.

And they fastened on this magic time. And as you know now and we know now, as we learned in World War II, the inaccurate assumption that everybody stops growing at 21. I did, but I was in the Navy with people who grew too tall for the program in the first year that we were in the service.

We do not believe those things anymore. But it is only a few years ago that we decided that you could be an adult for a variety of purposes below 21. So I have been a little bit suspicious of picking one of these ages. At least they had the rationale of permanent or long-term use of the armor then.

But for the age 22, I have not been able to find any magic. I do not see anything in the census figures that shows something magic changes or happens at 22. And I do not know where that number came from. If you could suggest how you fastened on 22 and not 23 or 21, it might be helpful in my search.

Mr. **Nugent**. No; it would be just, as I did say, that people would hopefully finish college then.

Mr. **Ford**. But we know that that is not true. The largest State university in the Detroit metropolitan area, Wayne University, the average age of the student this year is almost 28 years old. And yet in that school, you will find people just like this young lady that I described to you, the high school dropout who was attending on her ability to benefit or a GED admission, and has dropped out because she had a child in school.

Now, we do not sweep those people under the rug any more. We say, look, if you have awakened now to maturity and you realize that you have a child to support, and you are 19 or 20 years old, and you want to get back into learning something, we will help you.

I submit that we could probably prove that we get back more for the American taxpayer by investing in that kind of person than we do with a student here at Washington. And that makes me sound like the Secretary when I make that kind of generalization.

I went to an expensive private college too, Mr. Sandler, so do not be nervous.

Mr. **Sandler**. Obviously, well educated.

Mr. **Ford**. But I think that you can see the kind of concerns that it stirs. And you are the first person speaking on behalf of education who has latched on to that magic 22. I have heard it from budget people. Now, Stockman got it out of his computer someplace, and it became the magic number. But you are the first person out of education that has presented this committee with some reinforcement for Stockman's theory.

And I do not hold the Secretary responsible for that number or anybody at the Department. I talked to Elmendorf about it, and he denies that anybody over there really had an opportunity to discuss that recommendation that ended up in budget.

So, I do not want to pick on you or be quarrelsome, but to tell you that I am not at all impressed with the age 22, and I hope that you can help me find a way to get to what you want to get to without using quite that rigid a standard.

Mr. **Nugent**. Well, we have been able to live with the present definition as it exists. And I guess that we have enforced it a little bit more or rather vigorously, as I said, in requiring the notarized affidavit of nonsupport even after it was no longer in the regulation.

I am more addressing, I guess, in my paper an if type situation. If the problem of students declaring——

Mr. **Ford**. Now, you have got to the big if, and it is really a what question. What does it cost us to get to a point of zero mistakes on independence at the expense of arbitrarily determining people to be dependent who are not.

Now, when you balance those two, do we screen out far more people than we ought to screen out in order to get a handful, or is there really a large number of people who for some reason become eligible for aid that they otherwise would not be eligible for and put a drain on the resources by cheating on this whole question of independence.

There is an impression out there that people habitually cheat on independence to get more money. In talking to student aid people across this country for several years, I have always been bothered by this. I find that most of them do not believe that there is a good deal of that going on.

They will all acknowledge that sure, we probably are being kidded from some of these people. But, generally, the attitude that they express is that we are getting the best we can without 100 percent efficiency, and the price that we are paying for that is worth it to make sure that we are not arbitrarily locking out too many people with unrealistic standards.

So, the what is what do we want to achieve. Is it that important that we screen out *x* number of people or a percentage of applicants for aid on this characteristic of independence? Is that important enough to take a chance on messing up this little 19-year-old little girl that I mentioned. I should not call her a 19-year-old girl, but a 19-year-old parent. It could be a boy.

Some of them now are accepting responsibilities for situations of that kind. Not enough, but some do. And some of the courts are telling them that they have to assume it.

What do you do with a 20-year-old young fellow in an urban school who has been declared to be the parent in a proceeding in the court and is paying support for a child even though he never married the mother, is he independent or is he dependent?

He probably got booted out of the house when the court determined that he was a parent of the child out of wedlock. That is the real life that we have to deal with out there. And I would think that with an urban university that you would be seeing that all of the time, unless St. Louis has a much more homogeneous and insulated population than Detroit has.

Mr. NUGENT. We do see those hardship cases, that is true. This year we are looking at income tax returns from the parents of students under 23 who are claiming independence. So, perhaps hopefully measures like these will reinforce the present system, so that no change need be necessary.

And if indeed that is true that we do not have a high inaccuracy in this data element, we can just maintain the current definition as it exists.

Mr. FORD. Thank you. Mr. Coleman.

Mr. COLEMAN. Mr. Sandler, without asking for a long answer, would you care to venture into this territory of independent student because I noticed that you did not mention it in your testimony.

Mr. SANDLER. The chairman is not going to get any argument out of me. That may sound ironic because I represent a low-cost urban institution. The 22-year age limit represents to put a kind face on it, a kind of throwing up of the hands. If one assumes that there is abuse of the current independent student definition on a very large scale, when one probes deeply enough, it is hard to find for me at least persuasive evidence that it exists on a large scale as it is asserted frequently.

I feel that the age limit approach to independence amounts to a dangerous throwing out of the baby with the bath water. I feel that that is the point that you are making, and I agree with it.

Mr. **Coleman**. Well, maybe if we pass some sort of tax bill that increases the personal exemption and doubles it, maybe people will take the dependency and not the independency.

Mr. **Sandler**. Have more incentive to remain with their parents.

Mr. **Coleman**. Right.

Mr. **Sandler**. The parents will have more incentive to keep their kids at home.

Mr. **Coleman**. Have you had lenders ask you to participate in collecting loans that are in default. Are you involved in that process at all informally or formally?

Mr. **Nugent**. This question came up at a GSL workshop yesterday. In fact, it was asked what we should be doing to cooperate. It is sometimes unclear when collection agencies do call us, and how we can be of assistance to them. Collection agencies do call us. We are not always sure considering the Federal Privacy Act what we should do, but that is being looked at.

Mr. **Coleman**. Would you want us to encourage a relationship there for you, clarify it, encourage it, or do you feel that it is none of your business?

Mr. **Sandler**. A short answer. In principle, I think that it is our business. Administratively, I would be leery of the administrative implications of setting up a bureaucracy, an apparatus in my office, for which I would probably not get additional budget funds from my institution to go after in a systematic way what we now do informally, that is to help the banks collect on defaults. I would be uneasy about it being written in the law in any detailed way.

Mr. **Coleman**. You do not send out letters?

Mr. **Sandler**. When the banks or State agencies tell us that one of our ex-borrowers is in default, we provide them with as much assistance as we possibly can. Sometimes we communicate with the student directly. It can be effective for the student to hear from the school that we are ashamed of him or her.

Mr. **Coleman**. Well, the theory is that they would have more allegiance to the educational institution than to a lending institution who they may not have ever dealt with.

Mr. **Sandler**. One of the difficulties I think is that a large number of defaulters or a large proportion of defaulters are in default because they have absolutely no allegiance to their institution. They do not feel that they got their money's worth. They feel that they were defrauded. They did not even know that it was a loan. They do not feel that they got the education that they paid for.

You need to be careful not to paint this provision into the legislation with too broad a brush, or else you might do the opposite of what you might intend.

Mr. **Coleman**. Mr. Chairman, Richard Lessmann, who is the director of student financial assistance at St. Louis Community College was unable to attend today. Would you see that his testimony be inserted in the record?

Mr. **Ford**. Without objection, it will be inserted with the other gentlemen.

Mr. **Coleman**. Thank you.

Mr. **Ford**. Mr. Goodling.

Mr. GOODLING. Mr. Sandler, we used to think that the age of independence as far as young people were concerned was the 1960's and early 1970's. Yet, we know that there has been a tremendous increase between 1976 and 1982 in this business of declaring yourself independent. Now I might say that I do not know whether there are a lot of statistics to prove that as a matter of fact this is being abused, but I do know that there has been a tremendous increase between 1976 and 1982 in this whole business of declaring independence.

I do not know whether we are encouraging from the Federal level this declaration or not.

Mr. SANDLER. I understand. A lot depends on where you think that the tradeoff falls, you know. For the chairman's hypothetical 19-year-old who gets excluded from Federal aid, let us assume for the sake of argument, because you get tougher about the definition of independence.

Are you eliminating so much fraud, are you eliminating so much fraud that it is worth it to kick her out in the cold?

Mr. GOODLING. I do not know. All I know is that there is no uniformity. In my State, for instance, they are very, very strict in relationship to determining what independence is or is not. So, I suppose that you might say from that standpoint that my young people are being punished in relationship apparently to another State who really does not pay much attention to independence.

I wanted to ask you one question. In response to Mr. Ford, you touched on it again, but I still did not quite understand. And I want to make sure that I do. Because in your summary you said, "If the colleges—" You did not say if Washington University. You said, "If the colleges perceive that Congress is forcing on them a formula that they cannot live with, they have the means to go their own way."

Are you saying that you really do not need this Federal aid, that it is really not important at all?

Mr. SANDLER. We are not talking about Federal aid. My testimony does not speak to Federal aid. My testimony speaks to the need analysis process that is used to determine eligibility for Federal aid. Let me clarify briefly.

Mr. GOODLING. However, if we make that onerous, in your estimation, you say that you could go it yourself, go on your own?

Mr. SANDLER. Let me tell you what I mean by that example. Suppose that the Federal formula says that a family with an income of $100,000, an extreme—well, not so extreme—has a need. That parent can contribute only $5,000 for the cost of education. Suppose, hypothetically, that that is the result of the congressional formula that might be enacted into law.

A family of $100,000 income or more, and no unusual circumstances. All they can contribute is $5,000. My cost of education is $13,000. That means that if I used the Federal formula, I am going to give them $8,000 of financial aid, some of which will be Federal and much of which will be my own.

Hogwash. I am not going to accept a $5,000 contribution from that family. I will develop a formula of my own that will operate under the Federal formula, and will not be in violation of it. I will assume that the family can contribute in my example $6,000 or a lot more, but let us say $6,000. So, that the aid that they get is $7,000.

Now, remember, the Federal need in this example is $8,000. I am underawarding. I am not going over the Federal threshold. I am coming in under it. So, I am not in any legal trouble, but I can do what I want.

Mr. **Goodling**. You are assuming that the 900 pages of regulations written by the Department will allow you to do that?

Mr. **Sandler**. Yes; there is no penalty in the regulations now for underawarding.

Mr. **Goodling**. No, not now. You are talking about changes. And I am just saying that what you see on the surface is one thing.

Mr. **Sandler**. It would be hard for me to see how either Congress or the Department of Education could punish an institution for saying that it did not have enough funds Federal and institutional combined to meet the Federal need. I am not saying that it could not be done. But I am saying that I think that it would be stretching a point.

To respond to the very first comment that you made, Representative Goodling—

Mr. **Goodling**. You do need the Federal funds?

Mr. **Sandler**. Oh, you bet. I think that Washington University would fare well in the confusion that would ensue if Congress wrote into law every detail of a need analysis formula. I think that we and institutions like us would be able to wheel and deal in a way that would benefit us, but would not benefit public policy. Yes, we do need the Federal money.

Mr. **Goodling**. Mr. Nugent, just one quick question. You indicated that there was a 60-plus increase in cost while a 30-percent reduction in funds that were coming your way or were available for the students.

I guess my question would be was that 60-percent increase justified in your estimation?

Mr. **Nugent**. Oh, I believe so. Of course, this would be better addressed at the college president's level. I think that costs of higher education and I know have gone up, because they have had to go up. And salaries of staff and faculty have not increased exorbitantly. So I believe that given the State appropriations and the needs of the institution that tuition had to go up that much. And public opinion of our students supported that.

They understood that, and there was no resentment directed toward the university about that. They can go into the library and look up all of our salaries. So they knew that costs of tuition had to go up as much as they did go up.

Mr. **Goodling**. I just wanted to make sure that unlike the Father who apparently could fire 75, that he apparently did not need those 75, but you were not in a position where you could not fire 75 that you did not need.

Mr. **Nugent**. Well, I cannot speak for the overall university. I know that in a staff office that I went from seven full-time people working for me and with me to six. So we have all had to streamline and take our lumps all across the campus, and that has been true for many years.

Mr. **Goodling**. Thank you.

Mr. **Ford.** As I understood your formal statement that Mr. Goodling was referring to, you used this ratio change. Specifically, you mentioned campus-based programs.

Mr. **Nugent.** That is correct.

Mr. **Ford.** So what you are saying does not take into account any increase in the loan volume generated by that change taking place?

Mr. **Nugent.** Correct. And what has happened—

Mr. **Ford.** Is it fair to assume that part of the increase that one would find at your institution was generated by the drop in the available grant money at the same time that the cost was going up, and that one of the ways that they would make up that difference would be by increasing guaranteed student loans?

Mr. **Nugent.** Yes, sir.

Mr. **Ford.** Mr. Tauke.

Mr. **Tauke.** Thank you, Mr. Chairman.

Mr. Sandler, let me ask you a question on behalf of some Members of Congress who are not here. They can understand why the Federal Government should assist in paying for medium-cost education for students, but why in the world should they impose taxes on average income taxpayers in order to finance a high-cost education like you provide here.

In other words, why do we have to give students a Cadillac, why do we not just give them a Ford?

Mr. **Sandler.** I am not sure that the automobile analogy is exactly fair. Because Cadillac implies, no offense to Detroit, a kind of level of luxury that is really not necessary in order to get from point A to point B.

Mr. **Ford.** Excuse me. I represent 6,000 employees at the Cadillac plant, and it is necessary. [Laughter.]

Mr. **Tauke.** And so is Washington University. Go ahead.

Mr. **Sandler.** My own view as a private citizen as well as an employee of Washington University and as an observer of the educational scene is that a great and indispensible strength of American higher education is the diversity that is provided to American society by the present strength of the institutions like the University of Missouri in St. Louis and Washington University in the community side-by-side.

If this institution were vitiated because of fewer students or became more homogeneous economically because only rich kids could go here, and if that pattern were replicated at other institutions like mine around the country, I feel in my gut and I think is where you have got to decide the issue that American society would be the poorer for it.

It is interesting to note based on my very cursory understanding of international education that more and more in recent years educational establishments in other countries where higher education is largely State run, as you know, are looking to the United States as a model of educational diversity that can bring them the variety and the vitality that they feel that they lack. We would be giving up a lot that we would pay for for years and years if institutions like this one were sapped of their energy and their vitality by short-term misguided Federal policies.

Mr. **Tauke.** Well stated. Now let me ask you a second question.

How much have your tuition and fees gone up in the last 5 years?

Mr. **Sandler**. Remember that I am the one who is driving you back to the airport. [Laughter.]

Mr. **Tauke**. He did a good job. He is a wonderful chauffeur.

Mr. **Ford**. Let me tell you, Mr. Sandler. We had a hearing in his district, and we did the same thing to the private school people there. He is just getting even for what I asked them.

Mr. **Sandler**. Over the last 5 years, 8 percent a year on the average counting 1985 and 1986. You have got to understand that administratively I now live in 1985 and 1986, even though 1984-85 is just over. So that as the fifth year and 5 years previously is the first, it is about 8 percent a year. A little higher than inflation.

Library books and periodicals increase in price higher than the rate of inflation. Laboratory facilities sure increase faster than the rate of inflation. And we are still paying for the deferred maintenance. Not only physical maintenance, but faculty maintenance. The point was made earlier that we deferred it in the 1960's and 1970's.

There is one other point that I would make that Father Fitzgerald made. And that is that market pressures operate in a tremendous way to keep our costs down. The second point is that we do not benefit in terms of getting more Federal aid if we increase our costs. Federal aid is not a limitless bucket, as you all well know.

Mr. **Tauke**. I understand that it does not help us a lot if I just throw softballs at you, so I will give you another one. I am trying to draw the best from you.

What do we have to look forward to over the next 5 years, are we going to continue to see education costs increase at a rate that is more rapid than inflation, and how long can this continue?

Mr. **Sandler**. Well, we worry about it from the point of view of our market, not from the point of view of public policy. A lot depends obviously on what happens in the larger economy. God forbid that there were another embargo and oil prices went up as they did in 1974 and thereafter. That would be one kind of an answer.

Given the present state of the economy——

Mr. **Tauke**. Let me just interject though. We have all heard the story about oil prices going up. Oil prices are coming back down, but it has not had any impact on university costs.

Mr. **Sandler**. Given the present state of the economy even with oil prices coming down, and considering the fact that areas where we have to spend a lot of our money are not sensitive to the crude national measures of inflation that one reads in the headlines of the newspapers, I would anticipate that over the next 5 years increases in tuition at schools like Washington University, and I hope that my chancellor is not sitting here and about to shot me for what I will say, of something in the 4- to 6-percent range.

Mr. **Tauke**. Moderate increases?

Mr. **Sandler**. Yes.

Mr. **Tauke**. Over the last several years, there has been quite a bit of discussion about the makeup of the aid package that a student receives at a high-cost university. Today if you have a low- or middle-income student coming into your office and is going to enter

Washington University, how is that $13,000 put together for that student? I know that it is not the same for each student, but give us a general idea.

Mr. **Sandler**. Well, a $2,500 guaranteed student loan times 4 is $10,0000, and a repayment of $127 a month for 10 years. And a good argument for the repayment extension provisions of loan consolidation. A national direct student loan is we had the money of $1,500 a year times 4 would be $6,000, and repayments per month for 10 years is $61. A SEOG of $500. We do not have enough SEOG money to give any particular student more than that.

A Pell grant for lower-middle income, probably none, if one defines lower-middle income as being $25,000 or $26,000. Let us say zero. Work-study, you bet. A $1,200 or $1,300 job. As my colleague pointed out, you cannot give a student a $4,000 work-study job even if you had the money. He would not be able to do his classwork.

And after that, an institutional scholarship. I would say in the aggregate, and I cannot do the calculations in my head for our hypothetical student——

Mr. **Tauke**. I think that we are at $5,700 or $5,800.

Mr. **Sandler**. For our $25,000 income family, they need more help than that to come to Washington University.

Mr. **Tauke**. Obviously.

Mr. **Sandler**. So we are talking about another $2,000 or $3,000 to $35,000 and maybe $4,000 institutional scholarship.

Mr. **Tauke**. How much institutional aid is given out at your institution in relationship to federally driven assistance?

Mr. **Sandler**. About 65 percent of all the aid that we provide to undergraduates is institutional.

Mr. **Tauke**. Very good.

Mr. **Sandler**. We are making a very large commitment in schools like ours is. We are not unusual.

Mr. **Ford**. Do you have a good endowment?

Mr. **Tauke**. You must.

Mr. **Sandler**. If I answer all of these questions correctly, I ought to get a raise. Yes; we do have a good endowment, but it is a little misleading in Washington University's case. A great deal of it, about half, is earmarked exclusively for medical school purposes, for explicit purposes in the medical school.

It is a grave mistake as Secretary Bennett was very willing to make to categorize in gross terms school's endowments as making them therefore unworth or unneeding of Federal support. Just because a school's total endowment is *x* does not mean that the endowment available to support education is *x*.

Mr. **Tauke**. Mr. Sandler, thank you very much. I think that it is important to get some of these things on the record. Thank you, Mr. Chairman.

Mr. **Ford**. Thank you very much, gentlemen.

Now a very familiar face to the committee. Alan Purdy, chairman of the Missouri Higher Education Loan Authority. And Shaila Aery, commissioner for Higher Education, Missouri Guarantee Agency. And David Grant, the assistant vice president of the Mercantile Bank Corp.

[Prepared statement of Allan W. Purdy follows:]

PREPARED STATEMENT OF ALLAN W. PURDY, CHAIRMAN, MISSOURI HIGHER EDUCATION LOAN AUTHORITY

Hon. Chairman Ford, Congressman Coleman of Missouri, other distinguished members of the committee and my esteemed colleagues from the higher education community, I am pleased to testify as chairman of the Missouri Higher Education Loan Authority [MoHELA] to discuss issues relating to the Guaranteed Student Loan [GSL] Program and financial aid as a whole. I come before you as a veteran of financial aid, starting in 1958 as director of financial aid at the University of Missouri and continuing in that role for 21 years. While in that position, I became well acquainted with the student loan programs, as our school was a lender in both the National Defense Student Loan [NDSL] and as a GSL lender. From 1972 to 1978 I had the honor to sit on the board of the Student Loan Marketing Association [Sallie Mae] in Washington. Now I come before you representing a State secondary market. Having been the Student Loan Program from several perspectives, I do feel qualified to comment on some of the major directions the program was initially designed to undertake, and the effect of past and proposed detours on the road to educating the youth of Missouri and the Nation.

I have always looked upon student loans as an investment. I think all of us can see the benefit from that investment in terms of the millions of people who are fully employed and making a significant contribution to the income tax base in this country. During the past twenty years we have amended the Student Loan Program from time to time, ostensibly for the purpose of making it better. Admittedly, we have made some mistakes along the way, but on the whole the Student Loan Program has been a most successful venture for our Nation. It takes more than one program, however, to finance higher education. There is a value in having several diverse post secondary programs such as scholarships, grants, work study, NDSL, GSL and PLUS. The reason we have multiple programs is because a single program did not always meet the circumstances of all students. As a campus financial aid officer, I found it virtually necessary to have the flexibility of campus based programs in order to orchestrate the mixture of financial aid to meet the needs of students under varying circumstances.

Hence, as we look forward to reauthorization, I do not believe that all of the programs created in the past need be scrapped in order to come up with something new and different. I am sure that there can be some improvements in the Pell Grant Program, and I think that the supplemental grants [SEOG] are still vitally needed on campus. Certainly the Work Study Program has proved its worth and should be continued with ample funding.

You have asked me to comment on several issues in the G.S.L. Program which are currently under discussion and I will confine the remainder of my remarks to these issues. I will follow your suggested questions and offer my responses:

The issues of default and escalating student indebtedness are appropriately linked in this subcommittee's suggested list for discussion. High indebtedness can often initiate defaults because the student is unable to meet the high monthly payments resulting from a 120 month level payment schedule. I propose that the committee extend the repayment period or allow graduated payments to eliminate the initial repayment problem of payments well over reasonable budgets of recent graduates. I find the administration's desire to take more students out of grant programs and place them into borrowing situations inconsistent with a posture which bemoans rising default rates caused in part by high levels of indebtedness. Perhaps we should take a long, hard look at saddling our neediest students with unreasonable levels of indebtedness. Perhaps we should take a long, hard look at saddling our neediest students with unreasonable levels of debt until they have reached a point in academic progress where the return justifies the risk of further credit extension.

In regard to your queries about maximum annual and cumulative loan limits in the G.S.L. Program, I recommend a G.S.L. increase to $3,000 year, coupled with an adequately funded and well administered N.D.S.L. Program. I personally believe there is a place in the financial aid package for the N.D.S.L., as it allows the aid director greater flexibility in tailoring the loan and the rate to the individual borrower. If, on the other hand, the N.D.S.L. is to be phased out, then the G.S.L. limit would need to be increased to $4,000 dollars annually. This would cover some of the cost escalation which has taken place since the last time loan maximums were raised some ten years ago. The cumulative indebtedness for undergraduates should then be raised to $20,000 dollars (assuming a $4,000 dollar G.S.L.) or $15,000 if the N.D.S.L. Program is retained. The current G.S.L. limits for graduate study may not require much expansion as alternative loan programs no subsidized as greatly by the Federal Government (PLUS) or non-title IV Programs operated by professional associations or bond authorities seem better tailored to those borrowers whose educations will assure a financial base capable of repayment at market interest rates or non-Government subsidized below market interest rates.

I firmly support those who believe that across the board need analysis makes fiscal as well as policy sense. In an environment of sharing in deficit reduction, our educational community cannot afford to tell the taxpaying public that government subsidies should be extended to those clearly able to pay the cost of their own educations in full. Need analysis is a much more precise tool than the mathematical adjusted gross income features currently in force. Of course, if incomes fall below a certain "floor," it should be unnecessary to impose a need test.

Hopefully, the Government will return realistic grant programs to serve the lowest income borrowers who qualify under need analysis, so that they will not be driven into high loan indebtedness situations where default is often an unhappy by-product.

By advocating across the board need analysis, the issue of an income cap is no longer germane. There will be situations where need exists in nominally high income families, but that is what need analysis is designed to find. One of the sad features in creating a "cap" is that it subsequently presents a target for annual adjustment for inflation, new policy initiatives, etc. One of the most onerous features of the Student Loan Program, in the eyes of lenders, is the temptation to make adjustments.

Special allowance payments are in an area where the waters get muddy from bank to bank. While some lenders have a perfect handle on their program costs and can tell you exactly how many basis points or hundredths of a percentage can be shaved before it hurts, others have no true idea. For those individuals, perception becomes reality. If the perception is that shaving the special allowance by 25 basis points will make the program unprofitable, then the reality is that lenders will withdraw from participation. Our authority, being funded at present with tax-exempt funds, earns only half the special allowance paid to commercial lenders, so a 25 basis point drop in yield to MoHela is really only a loss of one-eighth of one percent. While our authority might be able to get along with a little less yield, that may not be the case elsewhere.

It is the belief of my staff that rather than reduce the Special Allowance Payments [SAP] during the in-school and grace phases, it might be more appropriate to effect Federal dollar savings by passing along the total cost of the program during the repayment period. This could be done by converting to a market rate instrument, allowing the ex-student borrower to repay at a rate of T-bill plus 3.5 percent. It would seem to make more sense to do this over a 10 or 15 year repayment period, than to possibly endanger loan access by asking lenders to take 0.25 percent less in a period which generally runs only two to four years at Government expense anyway. Ultimately those who have benefitted from the education would then share in the true cost.

Speaking to the concept of mandatory multiple disbursement, MoHela joins many commercial lenders in viewing this as a positive way to reduce the dollar amount of defaults. It also reduces the potential return to those less-than-reputable educational institutions who may recruit and place in debt borrowers without a true ability to benefit from the programs offered.

From the authority's position, as a holder of student loan notes, and not a State agency guarantor, it is appropriate to make only certain observations about return of the federal "seed" advances, and the issue of administrative cost allowances [A.C.A.] paid to guaranty agencies based on prior year loan volumes.

In order to sell our bonds, Missouri Higher Education Loan Authority represents to bond purchasers that a strong reserve fund is in place. Further, there is a contractual relationship between MoHela and guarantor to maintain a certain level of reserves so that losses are paid promptly and at 100 percent of principal and interest accrued. To the extent that return of certain "seed" monies materially harmed the ability of the guarantor to maintain its contractual obligations, we would oppose a return of said funds until the State agency could do so without negative impact on the program.

On the wider issue of loss of administrative cost allowance, we could support that only if an alternative form of financing the guaranty agency would be found or assured. State appropriations cannot in every year be assured, and increasing the user cost to the student at the front end only serves to take needed dollars away from the education purposes at hand. Were the Federal Government willing to allow a modification of the "origination fee" so that some of this money came directly to the guarantor, perhaps then A.C.A. could be reduced, by removing the Federal "middle-man" from the flow of funds, providing some budgetary saving's and certainly helping to uncomplicate the program.

Finally, your invitation letter asked me to focus on areas where improvements can be made to the program. A major suggestion would be to allow it to run a true course between reauthorizations, rather than finding yearly changes made under the guise of administrative adjustments or departmental interpretations of existing laws. A case in point are the regulations that have grown from the "Ford amendment". The purpose was clear and I agree with the wisdom of its intent. Congress has further strengthened its mandate that the use of tax exempt issues be curbed under a cap imposed upon each State. I find this limitation also a wise move and we are happy to live under this state quota. We pride ourselves in operating a keen and conservative agency that is serving Missouri. We admit that there has been "overissuance" abuse by certain agencies. Hence, they perverted both the Student Loan Program and the Tax Code. These abuses should be eliminated but without regulations that interfere with those who are operating within the intent of the laws.

I thank you for the opportunity to appear before you today, and would be most pleased to answer any questions you might have regarding my testimony.

STATEMENT OF ALLAN PURDY, CHAIRMAN, MISSOURI HIGHER EDUCATION LOAN AUTHORITY

Mr. PURDY. Thank you, Mr. Chairman, Mr. Coleman, and other members of the committee. And if I might exercise a personal privilege, and say hello to Mr. Waland with whom I have worked for many years.

I am Allan Purdy, the chairman of the board of the Missouri Higher Education Loan Authority. Previously for 21 years, I was director of financial aid for the University of Missouri.

It was 51 years ago this week, I got my first work-study job at the university which was then called NYA, National Youth Administration. I have since put four children through college a couple of times apiece. So I have been previously referred to as a pioneer in financial aid, and others refer to me as just an antique. So I come with that particular background.

I agree with President Danforth in his statement that assisting students to develop themselves educationally is one of the finest investments that this country can make. It was proven with the GI bill of World War II, and proven with many other programs. And there is no way of telling how many billions of dollars of income taxes are now paid annually by the people who got assistance when they were in college.

We have helped millions of students with these programs, and it is now paying off. And I am not one to say that there is any one program to solve the whole question of financial aid. We have had a number of programs, and they serve different students at different economic levels for different purposes.

We worked out a pretty good pattern. Therefore, I do not think that we need to—I think that we need to take a look at the whole program, but with the thought of not throwing out everything we have got and reinventing the wheel. But improving what we have, and keeping it within a cost that the country can afford.

I know that at times programs get pretty expensive, and we have to take a commonsense look at what we are doing and what we are getting for the taxpayers' money.

The programs that we have, the so-called campus based programs, I think that they should be retained with ample funding. I know that I am here to talk primarily about the Guaranteed Loan

Program, but they are all part and parcel of a policy to achieve a goal.

NDSL, some have suggested that we could do without that if we had GSL properly orchestrated. I spent 21 years on campus handling financial aid. NDSL was part of it. I still think that it should be retained as part of the loan program, because as was pointed out in some of the previous questioning, I believe that the campus financial aid officer ought to exercise a great deal of judgment if we are to have the best working programs that serve our students with the amount of tax dollars that we can afford.

NDSL has been one of those programs handled on campus with discretion by the financial aid person. Now this has not been changed for quite awhile. We started with it in 1958. We improved it as we went along. It is pretty well in place. And it may need looking at, but maybe not with a lot of changes.

The GSL itself I think has a maximum need to increase a bit to take care of inflation. We have a ceiling now. I think that that should be increased somewhat, maybe to $3,000 or up to $4,000. I will not get into the technicalities of exact figures. But we do need to increase the GSL limitation for the student.

We still ought to have a balance of programs that keeps us from getting our students too far in debt. This has been one of the problems. And if we had a chance to monitor this in some way. Part of our default rate has been, of course, the defaults from the dropouts. And if we can have a strong enough grant program and subsidized programs to get some of the lower income into their educational program and see whether or not they are going to succeed educationally before we saddle them with lots of debt.

If a person graduates from a 4-year program or even a 6-month program, and they are able to make an effort to pay. And most of them do. Sure, we have some defaults. But you know, students, former students, tend to be an awful lot like people. Most of them are honest and most of them will pay. And some of them get into trouble and some of them do not.

On the graduate level, I would hope that there would be some attention given to helping with graduate fellowships or assistantships. Because the graduate student has a long term, and that debt can pile up more than what any one young person should have.

I am completely in favor of going along with the need analysis for the Guaranteed Loan Program rather than to say anything below $30,000 is eligible, and any family above $30,000 is ineligible. I think that we have got a need analysis system that does sort out those that really have need from those who can get along without Federal help, and I think that we ought to use it.

And I would be much more in favor of that than to see us try to tinker with $30,000, $35,000, $40,000, or $25,000.

Now the costs, of course, on GSL builds up with the special allowance that goes on for the life of the loan. We need a special allowance, because we have got to have a program within the realm of just good business that the banker makes a living, that the student gets the loan, that the student can pay off the loan, and that the government can afford. We are balancing all of those.

I think that we still need the special allowance, particularly in the in-school period. I have wondered if some of the costs of the program could not be reduced a little bit by having a graduate who is out there working take over some of the special allowance costs.

I know two boys who are brothers who graduated, and both of them had insured loans. And the reason that I know these boys so well is they are my two sons. Both of them 5 years out of college are making more money than their dad was the day he retired.

One of those boys is paying his loan off, and it was a sizable loan. He is paying it off in 5 years instead of 10, and I am proud of him for doing it. The other one is taking the 10 full years. But he is a lawyer, so you would expect him to do that. He is also a Vietnam veteran, so I have no criticism.

I am saying in all due honesty that I think that we do train people for responsible positions, and they do go out and get good salaries. And that there may be a possibility that sometime after graduation that the special allowance load could be reduced as far as the Government is concerned.

The multiple disbursements which was suggested that we comment it, certainly I would be in favor of a multiple disbursements. I think that it makes sense. How it is worked out can be orchestrated. But I do think that it is a sound idea.

There is one thing which has been taken out recently that I hope can be restored. And that is the idea of consolidating student notes for students who have loans from several different sources. That makes sense, so why can we not find some way to do it.

I am not going to get into the technique of doing it, but let us have consolidation of notes. There is no point in a student having to send monthly payments on student loans to two and sometimes three different places. That is confusing, and I think that it would actually sort of discourage a student and encourage defaults. So let us find some way to do that.

There has been a question raised on the administrative cost allowance for the guarantee agency, and Dr. Aery will comment on that in more particulars. Let me say from the standpoint of our agency, the secondary market agency which is backed by the guarantor agency, I certainly want the state guarantor agency to be in sound financial condition. And this should be looked at when we get to thinking about tinkering with the cost allowance.

Some agencies have been in business for a long time and have got a pretty firm base, and others have been more recent and need a little help.

One of the greatest things that I think could help in our GSL is getting a program and sticking with it through the years without changing it every 6 months by some administrative edict. That has caused the lender more confusion, and it has caused the student confusion, and the institution more confusion.

The bureaucratic tinkering or interpretation—and Mr. Ford, I think that you have seen your own amendment abused in that way. I agree completely with the purpose of your amendment, but then they got to tinkering with it.

Congress then said, well, we do have to take a look at the amount of tax-exempt bonds being issued. And you wisely passed a law that I also agree with, that there is a State cap. And we are certainly willing to operate within that cap. It is reasonable.

And then to have the bureaucratic decisions come along and tell us what we can do and cannot do within that cap. It is not only confusing, but I really do not think that it is quite fair.

We know that there have been some abuses in the country of secondary markets who have sold more bonds than they have actually used for buying student loans. And that is bad, and that kind of abuse should be curbed. Personally, I am trying to run a lean and keen agency, and I would like to be given the privilege of having the continuation of the tax-exempt status, so that we can operate and give the student the maximum service.

So these are the general policies that I see as I look back over the worth of these programs. Certainly, I have never known a more dedicated committee than this committee in its commitment to understand exactly what is going on before you have to take a vote.

I appreciate that very much, and certainly we appreciate your coming out to visit with us on these very important things. Thank you, Mr. Chairman.

Mr. FORD. Ms. Aery.

[Prepared statement of Shaila Aery follows:]

PREPARED STATEMENT OF DR. SHAILA AERY, COMMISSIONER OF HIGHER EDUCATION, STATE OF MISSOURI

On behalf of the Missouri Coordinating Board for Higher Education, I appreciate this opportunity to address Title IV of the Higher Education Act and, specifically, the Guaranteed Student Loan Program from the perspective of a state guaranty agency. The Missouri Guaranteed Student Loan Program began operations in October 1979 and is administered by the Coordinating Board for Higher Education. The Missouri program is relatively new with approximately 40 percent of all loans now in repayment status. The Missouri program ranks fifth in the nation in the number of lenders and eigth in the number of schools participating in the program. To provide you with some further national comparisons of the Missouri program it is fifteenth in the number of loans and fourteenth in the country in loan volume. The program is, I believe, an efficient one; ranking twenty-third in staff size. Missouri's average default rate for the past three years is approximately 5 percent, 2 percent of all outstanding loans. The Missouri Coordinating Board for Higher Education is continually seeking alternative ways to decrease borrower defaults. Default reduction measures which recently have been initiated include a tape exchange with the Social Security Administration and the Missouri Department of Revenue for the purpose of locating borrowers who can be returned to repayment status. Also, a federal income tax refund offset program is being implemented with the Internal Revenue Service as an additional collection effort for defaulted loans. Regardless of these default avoidance measures, there remains a very small number of Missouri schools with loan default rates above an acceptable level. Recently, these schools have been notified of informal compliance measures, limitation, suspension and, in two instances, termination from the Missouri Guaranteed Student Loan Program.

The Missouri Coordinating Board's efforts in the loan program as with all of its statutory responsibilities, focuses on what it considers to be the major public policy issue confronting Missouri higher education: financial access for citizens to quality higher education. This concern for access for citizens who have the ability but not the monetary means to benefit from a postsecondary experience does not preclude the Missouri Board from understanding, and appreciating, the need for the Congress to examine all federal programs, including education, in an effort to reduce the national debt. There is also an appreciation of the concern of some in Congress with defining more precisely what the state and federal partnership should be in the GSL program, as well as the assurance of efficiency and accountability of guaranty agencies. And, as much as we might wish for the discussions of reauthorization and budgt considerations to be separate ones, the fact of the matter is that reauthorization is being considered within the shadow of fiscal constraints. There is, I believe, an essential role that the federal government must play in assuring that citizens have financial access to postsecondary education appropriate to their needs. At the same time, I recognize that the federal role in higher education is and should be a limited one, that the primary responsibility for higher education rests with the states. Indeed, the states provide a third of total higher education support, three times the federal government's contribution.

With regard to the budget concerns relating to the Guaranteed Student Loan Program, I would suggest that any cost containment changes should affect all participants—not only the students. That is, I believe that changes should affect the guaranty agency and the lender as well as the student. It is my hope that my recommendations on cost savings in the program along with those relating to ongoing program practices will demonstrate my beliefs in a viable federal and state partnership and that guaranty agencies must be held accountable. The greatest savings in the loan program, however, will accrue as a result of achieving stable low interest rates.

COST SAVINGS IN PROGRAM

Return all federal advances by the state guaranty agencies based on an independent determination of the overall financial condition of the agency's program. The return of the federal advances would, I understand, return approximately $150–177 million to the federal government. For those agencies unable to repay all their advances at once, I would suggest that you require the payment of interest at the rate of the Treasury Bill plus one-eighth. The federal advances to the Missouri program total $6.4 million dollars. A mechanism to return the advances within a reasonable period of time would be necessary for Missouri so as to not adversely affect the program's financial stability.

A moderate reduction of the special allowance to lenders. Current budget proposals, for example, would reduce lender yield approximately .3 percent. The cost savings from this modification would be an estimated $25 million the first year. No reduction in lender participation is expected in Missouri as a result of a moderate reduction.

Require that Sally Mae pay a fee, to offset GSL expenditures, to the federal government on securities issued to finance loan purchases and warehouse advances.

PROGRAM PRACTICES

Briefly, I would like to address program practices that I believe would make the GSL both more efficient and effective, and make guaranty agencies more accountable.

Require multiple disbursement of GSL funds by lenders to save on interest and special allowance. The Missouri data indicates that this would also reduce default amounts.

Require all borrower checks be mailed to the school for delivery to the student.

Allow guaranty agencies to end insurance coverage for loans to students in schools with histories of excessive GSL default rates.

Apply a needs test to determine eligibility for all borrowers regardless of parental income and completely eliminate the income cap. The needs test more accurately reflects a family's financial situation.

End federal payment of borrower interest subsidy during the grace and deferment periods, and allow the borrower to capitalize interest accrued during this time.

Institute required accounting standards for guaranty agencies, and uniform practices among agencies to facilitate outside review and comparison of the operations.

Provide for a differential special allowance compensating lenders less for loans during the in-school period when costs are lower than for loans during repayment.

I empathize with the enormous difficulties confronting the Congress in choosing among various important programs during fiscal constraint. I am all too familiar with this reality as the Missouri Coordinating Board advises the Governor and General Assembly on higher education funding priorities. The GSL, as one of the central elements of federal student aid, must continue, however, to be configured to ensure access to affordable loan capital for students. Finally, I would urge that in your consideration of Title IV that you examine carefully the need to halt the ever increasing student debt burden in favor of a more balanced mix of grant, work, loan and student/family support.

STATEMENT OF SHAILA AERY, COMMISSIONER OF HIGHER EDUCATION, STATE OF MISSOURI

Ms. Aery. My name is Shaila Aery, and I am the commissioner of higher education for the State of Missouri. And I will talk briefly about title IV and particularly the GSL, and from the perspective of the State guarantee agency.

A little bit about our Missouri program. We started in October 1979. It is administered by the coordinating board of higher education, which in Missouri is appointed by the Governor, one from each congressional district and confirmed by the Senate. And that board has responsibilities for postsecondary education.

We have approximately 40 percent of our loans that are now in repayment status. The Missouri program ranks fifth in the Nation in the number of lenders. We have approximately 700 lenders. We are eighth in the Nation in the number of schools participating, approximately 205 schools.

To give you some further kinds of comparisons, we are 15th in the number of loans, and 14th in the number of volume in the country, and 28th in the size of staff. So I think that it is a fairly efficient program.

We are constantly looking at ways to decrease borrower defaults. Missouri has a loan default rate of approximately 5 percent; 2 percent of our outstanding loans are in default. A couple of things that we are doing now that I have put in my remarks is we have initiated a tape exchange with the Social Security Administration and the Missouri Department of Revenue for the purpose of locating borrowers to return them to repayment status.

We also require our schools who participate in the program to update student addresses twice annually which we have done. Also, we have a Federal Income Tax Offset Program which is being implemented at the Internal Revenue to look at defaulted loans.

I will say to you that regardless of these kind of issues and this kind of default diversion methods, I still find that there are a very small number of schools within our State and other States I know that have loan default rates that I think are not acceptable, and certainly not acceptable by the Federal guidelines.

In the last 30 days, the Missouri board has notified these schools that have been in what we call an excessive default rate for the past 2 years of several different measures. We have curtailed some of their loans. We have terminated two of the schools, and I suspect that we will terminate some more in the next couple of years. We simply will not guarantee those loans.

The Missouri board when we look at what our major kind of public policy issue is and they apply it to the GSL, it is the financial access of our citizens to quality higher education. But one thing that I would have to say is that this board realizes that the discussions that you are going through now are much like the discussions that we have had in Missouri. That you are going through a period of time when you have to examine all Federal programs.

As much as we would like to have the reauthorization of this bill and probably the farm bill excluded from any kind of financial or fiscal considerations, we know that it is done in the light of the Federal deficit.

I would like to suggest to you a couple of things from the guarantee agency standpoint that I think could help this program in both its efficiency and its effectiveness, and at the same time say to you that I do believe that there is a viable kind of partnership that can be worked out between the States and the Federal Government.

And in fact, the States do have the responsibility for higher education in this country, and contribute three times as much money to higher education than does the Federal Government.

With regard to any kind of cost savings that I would recommend to you today, I would want to remind you of two things. One, that I do not agree with many people who believe that only the student should be the one who has to pay the price on cost containment. That we should look at the guarantee agency as well as the lender. And second, that something you know as well as I do, the greatest savings that will accrue to this loan program will be the country maintaining stable interest rates.

First, I would suggest that all of the guarantee agencies return their Federal advances. The Missouri program has approximately $6.5 million of Federal advances. I would suggest that as this is brought into being that you look at each of the States differently. Some of us have been in the program less time than others, and are not as financially stable or could not return it all at once.

From the Missouri perspective, I think that in a reasonable amount of time that we could return the $6.5 million with some interest, perhaps an eighth of a point above the Treasury bill or something. Some states tell me that they can return their Federal advances right now. That is an immediate $150 to $175 million, I understand.

We have in Missouri, our second point, discussed with our major lenders and with many lenders in the State, our 700, over the past several months what would happen if you reduced the lender yield by 0.3 percent as you are suggesting now, which would save $25 million this next year.

I do not anticipate from the data that I have available on the Missouri program that we would have any fewer lenders in our program than we do now if there was some kind of moderate reduction in that lender yield. And part of that is because we have 700 lenders, and no one lender holds us captive in this State, and that may be different from some other States.

Third on this point, I would suggest that someone examine whether or not Sallie Mae could pay a fee to the Federal Government to offset GSL expenditures on securities issued to finance loan purchases and warehouse advances. I would not want to leave them out as we look at cost savings.

With regard to the program practices, I would urge you to do multiple disbursements. Not only to save on interest and the special allowance to lenders, but our data shows that it would effectively assist us in default reductions. And I would suggest that all checks be mailed to the school with the student and the schools, for delivery to the school.

One of the things from a guarantee agency, I think that it would help us if you would allow guarantee agencies to end insurance coverage for loans to schools with several years of excessive default rates which we are now examining.

In fact, almost everyone I believe has talked today has said to go to a needs test as opposed to an income cap, and completely eliminate the income cap. We have found in our own data that it most accurately reflects a family's income and ability as a cap does not.

Unlike *my friends on my left and right who I depend on for the* program, I would suggest that you end Federal payment of borrower interest subsidy during the grace and deferment periods, and allow the borrower to capitalize the interest accrued during the time.

From a guarantee agency, again one which recently went through a Federal audit 11 months ago and which I have not received one letter nor can I find out anything about it, I find that there is not any kind of required accounting standards. There is no way to compare one agency to another on how well we are doing or how to improve ourselves, or find perhaps those of us who are not as good a job as we are or should be doing.

So some kind of uniform practices and standards of accounting and feedback to the agencies on how we might improve. We certainly go through a State audit every 2 years, and that helps. But I think that they do not have any kind of comparison as to the feds among guaranteed agencies.

I would suggest too that you provide differential special allowances compensating lenders for the loans in the in-school period. And we know that the costs are lower than the loans during repayment.

Finally, I would just like to thank you for the opportunity. I think that the guaranteed student program is one of the cornerstones, if you will. And I think that there is a Federal responsibility to be concerned about financial access for citizens who have the ability but not the means, the monetary means, to go on to postsecondary education.

I would reiterate Mr. Purdy's earlier comment that we need to look at the package again of student loans and what the States can do in that financial aid.

There is one thing in closing that I have not said and that I know most people believe. I have not recommended to you that you raise the amount of money to students. I do believe that students are too far in debt now, and I do not see that raising that helps students that much, No. 1.

And No. 2, I think that there are some things that we can do within the state with regard to public education that can at least slow down the costs, the growth of costs in higher education.

With that, I will conclude. Thank you very much.

Mr. **Ford**. Thank you very much.

Mr. Grant.

[Prepared statement of David Grant follows:]

PREPARED STATEMENT OF DAVID GRANT, ASSISTANT VICE PRESIDENT, MERCANTILE BANK CORP., ST. LOUIS, MO

Mr. Chairman and Members of the Subcommittee on Postsecondary Education. Thank you for the opportunity to testify today on the future of the Guaranteed Student Loan program on behalf of the Consumer Bankers Association and my Institution. I am David Grant, Assistant Vice-President of the Mercantile Bank Corporation. I am accompanied today by Clancy Dick, Assistant Vice-President for Personal Banking at our institution.

Although my testimony today reflects the views of the Consumer Bankers Association, I would like to briefly describe my institution to you. Mercantile is the 16th largest lender in the Guaranteed Student Loan program in the State of Missouri and about the 650th largest lender nationally. We began making Guaranteed Student Loans on April 15, 1980. We, I believe, are typical of many of the lenders who began participating in the program in response to the 1979 and 1980 amendments to the Higher Education Act and who have continued participating because of the sound financial structure of the program.

In total, Mercantile has committed over $31.2 million of our resources to making GSLs. Of this amount, approximately 51 percent has been lent to students in the immediate vicinity of St. Louis, and 21 percent to students in the Kansas City area. The students served under our program include students attending every category of postsecondary institution. Our average loan size is approximately $2,100 and our small loan policy is identical to that in the Higher Education Act, which is $500. The average loan indebtedness of our borrowers at the time of graduation is about $5,000.

In recent months, the Administration has put forward a series of legislative proposals designed to reduce the costs of the GSL program. As a matter of national policy, consumer bankers, like all Americans, support efforts to reduce the budget deficit. The specific legislative proposals put forward by the Administration, however, would do much more than just lower the federal costs of making student loans available to students. In a very real sense, the proposals would fundamentally alter the nature of the program by virtually eliminating the existing incentives in the program for lenders to invest their depositors' capital in GSLs.

On behalf of CBA, I would like to talk briefly about two of the proposals that most directly affect lenders. The first of these proposals relates to the special allowance paid by the Federal government on GSLs. As you know, Mr. Chairman, the special allowance is critical to lenders in that it makes up the difference between the cost of making educational loans available to students and the interest rate charged to them. The Administration has proposed that the formula for the special allowance on GSLs be reduced to a fixed 1.5 percent for the In-school period and to 3.0 percent during the repayment period. The interest paid by students would be established at a rate based on the 91-day Treasury bill, which is currently around 8 percent, but which is expected by many economists to increase.

Since the Administration's proposal has been put forward, it has been modified to call for a reduction of .8 percent in the special allowance. While this proposal is far superior to the original proposal, it would still be quite detrimental to lenders.

Consumer bankers in the GSL program are perplexed at the statements of the Administration that the return to lenders is "excessive". In fact, many small lenders in the GSL program are making only a marginal return on GSLs and remain in the program largely as a special service to the communities in which they are located. For small lenders the GSL loan origination and servicing processes are both complex and very costly.

As an objective matter, lender profit in the GSL program is best measured by comparing the return lenders make on GSLs with the other investments which they make. The "return on assets" is the measure which is generally used by most financial institutions for the purposes of comparing loan products. Under existing law—with the special allowance rate set at Treasury bill plus 3.5 percent—the return on GSLs is roughly equal to that produced by other consumer loan products.

A survey of 175 financial institutions with assets of between one and three billion dollars indicates that the typical return on assets for consumer lending, GSLs and PLUS loans was .75 percent over the past few years. Because of significantly less favorable economies of scale, the return on assets at smaller financial institutions is between .3 and .6 percent on GSLs. As a medium-sized institution with a relatively modest investment in GSLs, we find that our experience would fall within this range.

The original proposal of the Administration to reduce the special allowance as outlined above would result in most, if not all, GSL lenders losing money on their GSL investments. We would anticipate that if the proposals were enacted, several thousands of the smaller lenders, and many of the larger lenders as well, would drop out of the program almost immediately. If this were to occur, there is no doubt in my mind that many areas of the country—including Missouri—would have no participating GSL lenders. Similarly, the revised proposal will hurt lenders—and ultimately students—in Missouri. We strongly urge the subcommittee to resist efforts to reduce the special allowance in this program.

A second proposal of the Administration which gives us concern is the proposal to require the multiple-disbursement of loans. This proposal is included in both the original and revised Administration budget packages. The Consumers Bankers Association has endorsed multiple disbursement as a rational, effective means of reducing losses in the program resulting from students who enroll in college, collect their GSL, but then drop out. Under multiple disbursement, such a student who qualified for a full $2,500 GSL, would receive only $1250, with a resulting savings to the Federal government.

Our concerns about multiple disbursement result from the fact that it is not being considered on Capitol Hill as a single administrative improvement in the program, but rather as part of a comprehensive package of measures designed to reduce the return to lenders on the program. Multiple disbursement is costly to lenders because of the fact that many of the administrative steps necessary to originate a loan must be repeated as a result of the requirement. In total, CBA estimated that multiple disbursement will reduce lender return by an additional .2 percent. When this reduction is coupled with a reduction in the special allowance payment of loans, the cumulative impact on lenders can be to discourage participation in the program.

We would urge the subcommittee to carefully consider enacting multiple disbursement, but to be sensitive to the fact that the lender costs associated with this proposal are significant.

Along the same lines, we would urge the subcommittee to provide lenders with an adequate amount of time to prepare for the implementation of any changes to the program. In 1981, legislative changes were enacted with an effective date almost immediately after the date of enactment. The result was confusion on the part of lenders that caused many insitutions to simply stop making loans. We would urge the subcommittee to do everything in its power to assure that the effective date for changes is at least three months after the date of enactment.

I would now like to turn to several other proposals which have been made by the Consumer Bankers Association to improve the administrative structure of the program and to reduce the federal costs associated with it.

The first proposal is to establish lines of credit for GSL and PLUS loan borrowers. Under current law GSL and PLUS borrowers are required to make a full loan application each time they come into a lending institution for additional loan capital. The reapplication process is in most cases totally unnecessary and drives up lenders' administrative costs while complicating the loan origination process for the student. A solution to this problem is to allow the lender to establish lines of credit with borrowers in the same way that lines of credit are currently available for home equity loans. So long as the student's enrollment status did not radically change, the borrower's GSL or PLUS eligibility would not change. The student or parent would simply be required to submit, for each time the borrower wanted to draw down funds on the line of credit, a certification from the educational institution that the enrollment status of the student had not changed.

A second administrative improvement in the program would be to extend the grace period from the current six months to nine months after the student graduates. What is happening in many instances is that students are unable to find jobs and begin employment in the six month period. Many borrowers thus go unnecessarily into default while an additional three months grace period could give them time to get established and begin repayment. We believe that the small costs associated with enacting this amendment would be more than made up through reductions in default losses.

A third category of administrative changes would also lead directly to a reduction in federal defaul losses. The committee should consider requiring lenders to report the existence of a GSL to credit bureaus at the time that the loan enters repayment. This small step will have a significant impact on defualts by helping to prevent highly indebted GSL borrowers from unwisely taking on additional consumer loan debt.

Similarly, assistance should be provided to lenders who want to establish graduated repayment schedules to help borrowers who are unable to meet their initial repayment obligations.

An additional recommendation would be that guaranty agency and lender access to databases such as Social Security and the Internal Revenue Service be expanded to help improve the tracking down of delinquent and defaulted borrowers.

Finally, we would recommend re-establishment of the loan consolidation program. In my opinion, much of the default loss in the GSL program today is occurring from good-faith borrowers who, in the face of difficult economic circumstances simply cannot repay their loans. Loans consolidation offers highly indebted borrowers the option of stretching out their loan payments and easing their monthly obligations.

All current entities in the GSL program should be allowed to consolidate the loans of a borrower, if they hold at least one of the loans being consolidated. This would assure the availability of a consolidation program to the borrower. The reestablishment of a viable loan consolidation program should be one of the highest priorities of the Congress as it begins the reauthorization process.

I would like to turn for a minute to the question of over-borrowing by students in the GSL program and what Congress should do about this in the reauthorization. As you know, Mr. Chairman, default losses in the Guaranteed Student Loan program continue to increase despite the fact that the overall default rate is declining. This results from the fact that the number of loans entering repayment is increasing each year.

Many of the defaults in the GSL program are defaults on the part of students who had to borrow 10 or 15 thousand dollars to complete their educational program and then find themselves in a low-paying job. As the amount of borrowing in the GSL program continues to increase, the difficulty of many students in meeting their repayment obligations is likely to continue to increase.

Earlier, I mentioned loan consolidation as one means of addressing the default and over-indebtedness problem. I also mentioned better reporting to credit bureaus as a second means. These two changes taken by themselves, however, will not totally solve the problems that are being created by higher and higher GSL debts. In the long run, Mr. Chairman, the Congress must decide whether it is realistic to ask students to finance an ever-increasing percentage of their education with loans and then expect these loans to be paid back.

I know, Mr. Chairman, that you have long been an advocate of making adequate amounts of grant aid available to students. As a lender, it is not my role to make recommendations on exactly what amounts or types of grant aid should be available. I will say, however, that many of us in the lending community recognize that an ever-increasing reliance on loans bring with it an ever-increasing problem of defaults occurring on the part of students who were simply forced to borrow more than they could repay.

I believe that Congress should continue the studies initiated by the National Commission on Student Financial Aid into the question of what causes defaults. At the same time, however, Congress should structure the mixture of loans and grants in such a fashion as to best encourage low and middle income students to obtain the most appropriate education without having to borrow excessive sums of money.

In closing, Mr. Chairman, let me again thank you for the opportunity to participate in these hearings today. Because of the budget deficit and the need to address it, the GSL and other federal student aid programs are under attack. I applaud the subcommttee for taking the time to come out to Missouri and to find out how some of the proposals currently being circulated would effect students who, without the helping hand of federal student aid, would be unable to obtain a college education. I hope that as the subcommittee continues its work on the reauthorization that these students will always be your top priority.

I would be happy to respond to any questions the subcommittee may have.

STATEMENT OF DAVID GRANT, ASSISTANT VICE PRESIDENT, MERCANTILE BANK CORP., ST. LOUIS, MO

Mr. GRANT. Mr. Chairman, I request that my entire statement be put into the record, and I will just summarize my remarks.

Mr. Chairman and members of the Subcommittee on Postsecondary Education, thank you for the opportunity to speak today on the future of the Guaranteed Student Loan Program on behalf of the Consumer Bankers Association and my institution.

I am Dave Grant of the Mercantile Bank Corp. And to my left is Clancy Dick, assistant vice president for personal banking at our lead bank, Mercantile Trust Co.

Although my testimony today primarily reflects the views of the CBA, I would like to briefly describe my institution to you. Mercantile Trust, our lead bank, is the 16th largest lender in the Guaranteed Student Loan Program in Missouri, and about 650th largest nationwide. In total, Mercantile has committed about somewhere over $31 million of our resources in making GSL's across the State.

Of this amount, roughly half is to students in the St. Louis area, and another fifth in the Kansas City area. The students served by our banks include those attending every category of postsecondary institution.

In recent months, the administration has put forth a series of legislative proposals designed to reduce the cost of the GSL Program. As a matter of public policy, consumer bankers like all Americans support the efforts to reduce the Federal deficit.

The specific legislative proposals put forward by the administration, however, would do more than just lower the Federal cost of making student loans available. In a very real sense, the proposals would fundamentally alter the nature of the program by eliminating many of the existing incentives for lenders to invest their depositor's money in GSL's.

On behalf of the CBA, I would like to speak briefly about two of the proposals that most directly affect lenders, modification of the special allowance and the requirement for multiple disbursements.

As you know, the special allowance is critical to lenders in that it makes up the difference between the cost of making educational loans available to students, and the interest rate which is charged to him.

The administration has proposed that the formula for the special allowance on GSL's be reduced to a fixed percentage, and that the interest paid by students be established at a variable rate based on the 91-day T-bill rate. Since the administration's original proposal, it has been modified to call for a reduction of three-tenths of 1 percent in the special allowance. While this is certainly superior to the original proposal, it would still be quite detrimental to many lenders.

Consumer bankers in the GSL program are perplexed frankly at the statements of the administration and others that the return to lenders is excessive. In fact, many small lenders both in our holding company as well as nationwide in the program are making only a marginal return on GSL's, and many times remain in the program primarily as a special service to the communities in which they are located to their existing customers.

A survey sponsored by the CBA of 175 financial institutions with assets of between $1 and $3 billion indicates that the typical return on assets for consumer lending, GSL's, and Plus loans has been roughly three quarters of 1 percent over the past several years.

Because of significantly less favorable economies of scale, however, the return on assets at smaller institutions is between three-tenths and six-tenths of 1 percent on GSL's.

The original proposal of the administration to reduce the special allowance, as I indicated before, would result in most if not all lenders losing money on their GSL investments. Were this to occur, there is no doubt certainly in my mind that many areas of the country including Missouri would have no if very few participating GSL lenders. The revised proposal will hurt many lenders in the State, and ultimately students as well. We strongly urge the committee to resist the efforts to reduce the special allowance in this program.

The proposal to require multiple disbursements of loans also gives us some concern. CBA has endorsed, as you know, multiple disbursements as a rational effective means of reducing losses in the program resulting from students who may enroll in college, collect their loan, and then drop out of school.

Our concerns about multiple disbursements result from the fact that it is not being considered as a single administrative improvement in the program, but rather as part of a comprehensive package of measures to reduce the returns to lenders. Multiple disbursements are costly to lenders, because many of the administrative steps necessary to originate a loan must be repeated for subsequent disbursement of loan proceeds.

In total, CBA has estimated that the requirement for multiple disbursement will reduce lender return during the first year of the loan by roughly two-tenths of 1 percent. When this reduction is coupled with a reduction in the special allowance payment on loans, the cumulative impact on lenders can be to discourage participation in the program.

I would now like to turn briefly to several other proposals that have been made by CBA to improve the administrative structure of the program and to reduce the Federal costs associated with it.

The first proposal is to establish lines of credit for GSL and Plus loans. Under the current law, these borrowers are required to make a full loan application each time they come into a lending institution for a loan. The reapplication process drives up lenders' administrative costs while placing what many times is an unnecessary burden on the student and his family.

A solution is to allow the lender establish lines of credit to borrowers in the same way that lines of credit currently exist for such products as home equity loans. As long as the student's enrollment status did not radically change, the borrower's GSL or Plus eligibility would also not change.

A second administrative improvement in the program would be to extend the grace period from the current 6 to 9 months after the student graduates. What is happening in many instances is that the students are unable to find jobs and begin employment during the current 6 month period. We believe that the small additional costs associated with enacting this amendment would be more than made up through reductions in default losses.

A third rather broad category of administrative changes would also lead directly to a reduction in Federal default losses. This category includes requiring lenders to report the existence of a GSL to credit bureaus at the time that the loan enters repayment. This would help prevent highly indebted student loan borrowers from unwisely taking on additional consumer credit loan debt.

Simiarly, assistance should be provided to lenders who want to establish graduated repayment schedules to help borrowers who may be initially unable to meet repayment obligations until they get established.

Finally, we would recommend reestablishment of the Loan Consolidation Program, as several other speakers have indicated today. Loan consolidation offers highly indebted borrowers the option of stretching out their loans and easing their monthly obligations.

In closing, I know that you, Mr. Chairman, and others speaking today have been an advocate of making adequate amounts of Federal grant aid available to students. As lenders, it is perhaps not the role of CBA to make recommendations on exactly what amounts or types of grant aid that should be made available.

But I will say, however, that many of us in the lending community recognize that an ever increasing reliance on loans brings with it an ever increasing problem of defaults occurring on the part of students who were simply forced to borrow more money than they would reasonably repay.

Congress should structure the mixture of loans and grants in such a fashion as to best encourage low- and middle-income students in the most appropriate education without having to borrow excessive amounts of money.

Mr. Chairman, let me again thank you and the committee for the opportunity to participate in these hearings. We appreciate the subcommittee coming out to Missouri to find if some of the proposals currently being circulated would effect students who without the assistance of Federal aid would be unable to obtain a college education.

I hope tnat as the subcommittee continues its work on the Reauthorization Program, that these students will remain your top priority. Thank you.

Mr. FORD. Thank you.

Mr. Purdy, you were really in it at the beginning of these programs. Back in 1965, we had a great deal of confidence in the people who were going to be administering the programs in Washington, because we have a lot of very committed people showing up from around the country who were very much interested in seeing these things work.

And over the years, we have continued to have by and large those kind of people. But in the 20 years that I have been dealing with this, I have watched the committees in the House and Senate gradually become more and more, without realizing perhaps that we were doing it, apprehensive about giving too much latitude to people to administer the program.

You know how long it took us to talk the States into the State guarantee business in the first place, and the incentives that we had to use. In one State as a matter of fact we did something so that the Governor was able to blackmail the legislature into passing the legislation by threatening, we had it in the House bill and then took it out in conference, a provision that would have made the Government a lender of first resort in that State. And that struck their Midwestern nerves to the very root, and they took care of it.

Because of that, there has been a reluctance to back off and look at the maturation process that one must assume has taken place in 20 years in the handling of these programs. Student aid people now tell me that student aid offices have obtained a greater recognition on college campuses than they have had in the past. That student aid professionals are indeed professional in what they do, and that you just do not give somebody the job 1 year and somebody else the next year in most institutions. And that we are dealing with a group of professionals that did not exist when we started.

All this is by way of getting to ask for your intuitive reaction to trying to answer these questions about needs analysis and independence by shifting the primary reliance to the finanicial aid offices on campus.

I know that immediately when you bring this up that some people are going to suggest that these people are not professional enough to restrain the impulse to greed that would say, let us just give everybody all the money we can get for them.

But do you think that something like that would work, how would the community respond in your view to greater latitude on the part of the people preparing a package to make these determinations within very broad outlines of restrictions?

Mr. **Purdy**. Certainly, we feel that there is substantial development of professionalism on the part of the student financial aid officers. That does not mean that it is a perfect personnel situation. And I remember one time very distinctly, and this has been a long time ago, that Mrs. Green, who was then chairman of this committee turned to me and said how would you like all of these to be a bloc grant to the campus and let the student aid personnel handle it.

And I said we are not ready for it at this time, we still need guidelines. I would still say that we would need some policy and guidelines, so that there would be a uniformity handling the taxpayer's money. I am not saying that we are perfect yet. But I am still saying that we need a degree of flexibility.

I was impressed with your very common problem that we have of the 19-year-old mother. And when you are handcuffed with a 22-1 year mandate, then how do we help this very special case which we have no doubt about.

So I guess that I would plead for a great deal of commonsense in relying upon the professionalism and the integrity at the level where the students are. There are not enough pages in the Congressional Record to write all of the regulations that covers every situation.

So I do think that a great deal of flexibility within guidelines is the direction to go.

Mr. **Ford**. Mr. Grant, you have heard discussion here today about something that has bothered a lot of us. And that is the shift to the growth in the Guaranteed Loan Program and the relative benefits. You would notice, for example, in my opening statement that I mentioned that this year we would generate $13 billion in student aid, and Mr. Coleman said $8.5 billion.

We are both saying the same thing. He is talking about expenditure by the Federal Government, and I am talking about the total package. And the rest of it is the Guaranteed Student Loan Program which generates capital from your people. They provide a little bit more than half of the money that would be spent this year out of their capital.

When you look at the outstanding balance that we have, we are guaranteeing someplace in the magnitude of $33 or $34 billion. And if you look at the special allowance, you can tell immediately what the cost of that program is. It is not first year costs.

We are in great pain to try to figure how to save money in the program. And as Mr. Coleman has indicated, when you look at our costs for the loan over the years there are some who may say maybe we ought to just give them the money in the first place. Because by the time that we have subsidized the loan over all of the years of it, we almost put as much money in as the bank did.

And the answer to that, unfortunately, is that we do not have the wit as an institution in the Congress to do anything that bold. There is no way in the world in today's climate but even when we were in our salad days, that we could get the Congress to consider appropriations up front that you would have to have to do that.

Now something that is coming out of this and bothering me is I wonder if you people—and I have met with your associations, and in that meeting in Philadelphia even discussing this—is there is a question of whether or not part of the shift that is taking place is not because of the growth in availability of guaranteed student loans.

When you think back a half a dozen years ago, there were many States where they were virtually not available. They were very slow in many parts of the country to get into this business. And then they tended to be in the big urban areas. And the little school that was out in the boondocks and the students from more remote parts of the State never had access.

Now in your State, for example, we have examples from Missouri of the tremendous number of lenders in the State which indicates that you have got them all over, that you are not really isolated in the State in terms of not having lenders in the area that are willing to do business with you.

We do not have any way to check this, and maybe this is something that Mr. Purdy could cogitate on with us. But we do not know, for example, how many people who are getting a maximum guaranteed student loan would be able to get by with less than the maximum if they first applied for a Pell grant. It is more troublesome to apply for the Pell grant than it is to go over to your local friendly bank with your father or your uncle, or someone who does business there, and getting a loan is quick and painless. And it is a more familiar environment than the student aid office is for most students.

So we do not have any way to know, but can you tell whether or not bankers as a habit ask people if they have exhausted all of the other resources before they decided how much they wanted to borrow, or do they just go along with whatever it is that they asked them for?

Mr. GRANT. Well, of course, a part of the process is that the need analysis is done by the universities. In chatting with several of the university financial aid people recently, I get the feeling that they go through with the student the options. I am not sure that banks per se go through whenever a student comes in for a loan, are you sure that you have exhausted all of your alternatives. I just cannot answer that.

Mr. FORD. Now one must assume looking at the positive side of it that there still is an American ethic that it is better to pay for your own, and that that is very strong with some people. And given a choice between getting a grant and borrowing the money on their own, they would opt for that reason for the loan. And that is not the person that concerns me. It is the shift of lower income students in such large numbers into guaranteed student loans that is bothering me.

And I do not know how much of that is that the value of the Pell grant has dropped as a proportion of costs so dramatically, and how much of it is the availability of the loan which seems to be an easier way out.

Maybe you could get some information for us. Not a big survey, but just sort of ask your people who have been at this for several months what they think about that.

Now I do understand why the banker would want to make a $2,500 loan rather than a $500 loan. But we have to assume some good motives with bankers just like everybody else, lawyers and student aid administrators. But they have got to help us think through this. Because the ways in which people will go into their pocket probably will be more distasteful than some idea of how we could diminish the demand to some degree by trying to get people to take advantage of other resources.

You have put great emphasis on the special allowance. We had a presidential commission on student aid, and we commissioned a study by the Wharton School of bankers and why they participated in the program. Mr. Brademas and I who sat on this committee for many years together were frankly very surprised when we found that Wharton, which is a very respected school, came to the conclusion that on a scale of 1 to 10 that the size of the special allowance was not a very important consideration in determining how much of their portfolio they were going to put into the guaranteed loan, and whether they were going to participate in the program.

The other surprising thing that we found was that most of the directors of the banks that were interviewed in this survey that they took, some 600 or 800 banks I guess selected by some sampling system to give a representation, and obviously you would get a different answer from somebody at your level than one of your little correspondent banks, that they found that the large majority of the bank directors really did not know what the special allowance was or how it worked.

And so presumably, they had not weighed that very heavily in aiding in decisions of how much of their portfolio would be assigned to the loans.

Now do you quarrel with that finding by them?

Mr. GRANT. Well, until recently, many banks did not have a very good cost accounting system and did not have a very good handle on profitability and so on. As we move forward with increasing competition in the financial industry, each and every product if you will that banks sell, and student loans are clearly a product, is being scrutinized increasingly carefully, what is the return to our stockholders.

I think that there is going to be a lot more visibility in the future on what is the special allowance, what is the aggregate return to the bank on making the student loan compared to some other credit product. It may have been true in the past, I guess to summarize, but it will be less true in the future.

Mr. FORD. As a practical matter if you take Ms. Aery's suggestion of capitalizing the in-school interest, what do the bankers do if we suggest to them that once they have taken a loan that they have to adjust at least four times or each time that there is an addition to the loan, because you have different periods of time involved; would that create a servicing cost that diminishes the desirability of the loan, or do you think that with the way that the

States are set up now that that could be accommodated without too much trouble?

Mr. **Grant**. I am going to turn that over to Mr. Dick.

Mr. **Dick**. Are you referring to the entire time that he is in school, that he or she were in school?

Mr. **Ford**. I believe that her suggestion was in school and during the grace period which is 6 months after leaving school or completing school.

Mr. **Dick**. My initial comment might be the collection of interest on less than once every 5 years. The accrual problems would not be that great, but I am talking about actual collection of income dollars.

Mr. **Ford**. Well, as I visualize the way that that would work is that let us assume that a student goes to school for 4 years and borrows a maximum each year. The first year, they owe you $2500. The second year, they have two notes with you for $2500. And the third year, three, and then four. And then all of these notes go into the grace period at the same time for the 6-month period. They become payable on the same date.

Now how much bookkeeping are we talking about to do something like that?

Mr. **Dick**. Depending on each individual bank's accounting and data processing, it may not be that burdensome.

Mr. **Ford**. How about having a look at that for us and see how they react to something like that.

Mr. **Dick**. Consider also though the additional debt.

Mr. **Ford**. I learned a long time ago that if bankers believe that something is going to cost them money that you cannot sell it to them no matter what.

Mr. **Coleman**. Was this on the golf course of the country club?

Mr. **Ford**. No. I have talked to more bankers in the last 10 years than I have talked to in all of my life. And I hear some of the mythology there. And then their lawyers come in and explain what they really meant.

But if they get the impression that we are making a change that is going to complicate things, that seems to have a bigger impact with smaller bankers than anything else. The dollar amounts do not bother them nearly as much as more paperwork. And they still talk in terms of paperwork, although it is a matter of a computer operator feeding additional information after the computer has been programmed. I suspect that it takes that much time to make each of these entries that we are talking about. Yes, sir.

The **Witness**. Let me correct an earlier omission. I did not introduce Mr. John Wild who is the executive director of our secondary market. John has been in this business for quite awhile, and he is writing down some thoughts here. And why does he not just give them to you.

Mr. **Wild**. Mr. Ford, one of the thoughts that I had written for Mr. Purdy was that the special allowance seems to be a factor to banks which are the most inefficient. And as you get to a larger size like a Mercantile Trust where they have a good handle on it through people like Mr. Dick, you do not have to worry so much about it. But when you get into a small mercantile like Green

Ridge or somewhere like that, you get into a situation where they still might be on paper and having to make those changes.

My other comment was that on capitalizing interest which was Dr. Aery's concept, that it is not difficult to do because most good servicing systems allow that same data processing systems clerk as you mentioned to sit down and do it in a snap.

It is only the concept, you have to realize the downside, that you are paying interest on interest, and that you are putting a debt picture out there that really should be factored into a longer term repayment than 10 years. Because if you are going to capitalize during the in-school period, maybe the fair thing to do then is to throw them into a market rate loan after they graduate when they have the ability to pay, as my chairman has said, or hopefully to have the ability to pay.

And at that point if they are carrying a market rate at no cost to the Government, then you can afford to wait perhaps 15 or 20 years. And that ties into the line of credit concept that David Grant had mentioned, because you are really mortgaging your education. It is just a mortgage on your head instead of on your roof.

Mr. **Ford**. Well, you know the whole consolidation effort that we started in 1980 got snarled up with the tax-free revenue bond issue. And it got snarled up in the Senate, not in the House. We thought that we were in good shape trying to renew it when it came up. But unfortunately, one of the States that was caught in a box was Vermont. And that is a magic State for us to do business with for very obvious reasons.

And the chairman over there, and we felt sorry for him, was caught in a box. They said that they were not signing anything that is going to increase the tax free revenue bonds. And his state agency said we do not want a consolidation unless we can do it. And there was no way to satisfy the people important to that chairman and to get our bill signed, so it died.

But one of the characteristics that was in that was that we did not start to do consolidation for the bankers or for anybody else, but we started to do consolidation as a technique to reduce the then frightening loan default rate. That was one of many things that were in the amendments of 1979 and 1980 and designed to facilitate repayment.

And we had people in the lending business who said, you know, as a practical matter, we do not do business that way. We do not let somebody just to go into default if there is a way to work out a new package for them. And that is how we thought that it was going to work.

But there were two characteristics that encouraged repayment. One was stretching out the repayment period if there were two or more loans consolidated. And the second one was putting the loans in an income sensitive repayment. But it was not income sensitive, I think that it was time sensitive. They could set it up in say increments of 5 years or over a 15-year period. The loan payback for the first 5 years was at level A, and the loan payback for the next 5 was at level B, and sort of a balloon at the end of it.

It was on the assumption that a college graduate graduating and therefore taking advantage of consolidation because they had multiple loans would be growing in their ability to pay during that period of time. That was not to make it easier, or softer, or more gentle on the student, but it was to get them into a more practical repayment, recognizing that when they come out of college that they frequently get married and incur other responsibilities that are far more urgent than an unsecured loan.

It was working quite well. State agencies had some difficulty, but it got snarled up because of the States that were depending entirely on financing it with the tax-free revenue bonds. And then we found some of our neighbors unfortunately borrowing enough to cover their loans for 3 years at one time. And by arbitrage, they were using that as a handy-dandy way to get money in the State treasury.

And that is what my amendment was trying to get at. We wrestled with that for years. And in the meantime, I am now told that virtually every State has found out how to live with this thing. And the Department has grown up in their handling of it. So instead of just cutting people off, they have helped them to work out the problems.

The cap does not seem to create a problem because we exempted that type—the tax law exempted that type of bond for all intents and purposes.

Mr. PURDY. We are under the cap.

Mr. FORD. They are under the overall cap?

Mr. PURDY. We are under the cap, but we are willing to live under the cap, and that was not our problem.

Mr. FORD. But the cap comes down again, does it not?

Mr. WILD. Yes, sir. It goes down to $100 per capita in I think 1986.

Mr. FORD. That is the point at which it starts to hurt me. We are fine in Michigan with the present cap.

Mr. WILD. For the record, we are burdened by an attorney general's opinion in the State of Missouri that says we are not allowed to go into taxable finance, and that was not the intent of the Missouri General Assembly. And the Federal Department of Education has failed to accept the wisdom of the Missouri General Assembly and is trying to periodically drive this across into a vehicle that we do not, in good faith, feel that we could do.

Mr. FORD. Thank you.

Mr. Coleman.

Mr. COLEMAN. Dr. Aery, how do you define an excessive default rate?

Ms. AERY. There are Federal guidelines; 20 percent.

Mr. COLEMAN. You mentioned that you have two institutions in Missouri that you have identified that you are no longer buying their loans?

Ms. AERY. We are not guaranteeing their loans; that is correct.

Mr. COLEMAN. And are those for profit or not for profit?

Ms. AERY. For profit. We have some not for profit that are close behind them.

Mr. COLEMAN. Have any of you seen the $100,000 family?

Ms. AERY. No.

Mr. COLEMAN. Well, we are looking for them.

Mr. FORD. When we find them, we are going to put them in the same jail with the kids that went out with a $2,000 loan when that was the limit and bought a sports car. I was always fascinated, coming from Detroit, about how you could buy a sports car for $2,000. They had a lot of them out there.

Mr. **Coleman**. Mr. Grant, in your testimony on page 7, you said that we should consider requiring lenders to report the existence of a GSL to credit bureaus at the time that the loan is entering repayment. I assume that that means a defaulted GSL loan.

Mr. **Grant**. To report that the loan exists.

Mr. **Coleman**. Just that the loan exists? I have introduced a bill that would ask the guarantee agency to report to the credit bureau any defaulted loans.

Would you have any problem with that?

Ms. **Aery**. No.

Mr. **Coleman**. Have you dealt with the concept of the independent student in Missouri separate and apart from the Federal issue?

Ms. **Aery**. No, we have not.

Mr. **Coleman**. And Mr. Grant, why do you think that we have 700 banks in the State of Missouri that are making student loans?

Mr. **Grant**. A lot of the banks are smaller banks, and not terribly aggressive in the program. A lot of banks, including a lot of mercantile banks, until recently put significant restrictions on the availability of those loans. They do them for their customers, for example.

Mr. **Coleman**. Do any of you know how these are grouped; in other words, do the top three or four banks handle 75 percent of the loans, and the other 695 do the 25 percent, or are they pretty well distributed?

Mr. **Grant**. The top 10 banks do something like 50 or 60 percent of the originations. There is a fairly heavy skew toward the top handful of banks.

Mr. **Coleman**. And those would be the large holding companies here?

Mr. **Grant**. Well, large banks, S&L's, and there are also some external to the State banks as well.

Mr. **Coleman**. Dr. Aery, you indicated that the default rate overall is 2 percent, but in the last 3 years it was 5 percent.

Should I understand that the default rate is higher each year?

Ms. **Aery**. Well, it is getting higher. What I was saying is that it is 5 percent of those in repayment, and outstanding loans is 2 percent. It is the same time period, but it is our whole loan.

Mr. **Coleman**. Based upon the number of loans that are in the repayment, you mean?

Ms. **Aery**. It is 5 percent of all loans. Of all loans out right now, it is 2 percent. But we are relatively young, and only 40 percent of ours are in repayment. So I was trying to make the difference.

Mr. **Coleman**. I'd like to emphasize one point that the chairman made. If seems to be convenient for these people to walk across the street to the "friendly banker" to get a loan as opposed to going through a grant application process, the people that the chairman is referring to would not have a friendly banker, if they are lower to middle income people.

I just make that point for the record. Perhaps there might be some established data to show how much of a relationship there is with a lender in the GSL Program, a past relationship with that family.

Do you have any idea, Mr. Grant, of how many people are brand new customers through a bank or service?

Mr. **Grant**. Again, many of our banks until recently required a relationship. So in those cases, it would be 100 percent. More and more banks are seeing it as essentially a way to establish a relationship as individuals leave school. So again, I think that that number is probably dropping. As far as exact numbers or a feel, I do not have those.

Mr. **Coleman**. Mr. Purdy, do you have a comment?

Mr. **Purdy**. Mr. Coleman, as I say, students tend to be an awful lot like people. Namely, they will be negligent unless prodded and scheduled. And it was always one of the problems of a financial aid officer that a student shows up in August and has not yet applied for the Pell grant. And the Pell grant takes a lot longer to process than the insured loan.

And I am sure that there is some of that. Now this is a problem that will never be answered, namely that you cannot get a GSL until you have applied for a Pell grant. There will always be a problem. I guess that I would hesitate to recommend that we make application for a Pell grant a prerequisite to getting a GSL.

I think as I think that I indicated earlier that I am certainly in favor of a need analysis which goes through the financial aid office. If the financial aid officer is doing his business at all, he will recognize a low income student who needs to apply for a Pell grant or a NDSL, or whatever else is available to him. That is the job of the financial aid person. They do not all do it perfectly.

But I think that that kind of screening is the answer to that rather than legislation. Now I am still the faculty advisor for a scholarship program sponsored by the Western Gulf Association. They require everybody to apply for the Pell grant, because it is on the basis of need, do you have need. And see if you are qualified; and if so, take that and we will help you out in addition according to what you need.

And there are 47 boys in the house. And each year, I have to say now, have all of you applied for your Pell grant. And they are getting the message. And they do, but not without a reminder. But I think that the financial aid director is the point of reminding on that.

Mr. **Coleman**. I asked this question previously concerning the relationship between the institution and the lender, or somebody on the collection end.

Do you feel that there needs to be some clarification or authority given to you to deal with institutions, so that they might be a bigger help if they could be, or do you feel that this is not going to make any difference?

Mr. **Wiid**. One point that we were chatting about earlier was in that it depends a great deal on what you are referring to in a default situation. Normally, you have got an individual who has dropped out of school, or perhaps has changed schools. And speaking as a banker, I do not see much validity in those examples in getting the school's assistance.

One thing that we have had assistance with some institutions in the past is the individual that does withdraw for any particular reason whether it is for a semester or they are gone completely where the school could notify the lender immediately instead of us finding out through our servicing agency, and I had an example the other day, 4 months later that little Johnny has since withdrawn from school, and we do not know where he is located.

The other thing prior to a default situation is the relationship when the loans are disbursed. At Mercantile, we normally do make the checks payable to the student and to the school, and we mail them to the school. We make a dedicated effort to close our loan. We would like the aid of the financial aid officers to assist us in solidifying that relationship.

But as far as any other type of collection activity, I almost see it as a moot point here.

Mr. **Grant**. If I might comment briefly. Our experience and we buy from 115 lenders in the State of Missouri, and therefore we deal with almost every school in the State of Missouri, we find financial aid offices most cooperative. But some of the best data that we could get would be from the registrar's office as to where a transcript might have been sent, or do they have anything in the alumni office. Of course, that is a good place to go if you can kind of finesse the information out of them.

We do not have problems with financial aid shops. It is registrars who are reluctant at times to help you that day when the collector is trying to collect the loan. Instead they want to put us through write a letter to us, and we will get back to you.

Mr. **Coleman**. Thank you very much.

Mr. **Ford**. Now if somebody walks into your bank and they do not have an established line of credit, and they want to get a loan for an automobile, you are going to run that through a credit bureau. When you make the loan to me to buy the car, and I make the payments religiously every month right on time, would you not report that to the credit bureau; you would report my auto loan as soon as I took it out, would you not?

Mr. **Grant**. Mercantile Trust Co. does.

Mr. **Ford**. There was a suggestion several years ago coming from the students when we were considering a requirement to report all defaults to credit bureaus. And they came back and said, well, that is fine; but if you do that, you ought to report us for paying our bills too, because it will permit students to establish a record going into repayment. And for some reason, we never got that in place.

But it would seem to me that in most parts of the country that if these were treated the same as other loans in terms of who you report it to and where the information is available that so and so has a loan of such and such a size and this is his monthly obligation, that that would help us facilitate keeping track of people as well.

Because every time that that person went to borrow money for a car, that bank would report on him and say that you still owe for the money that you got when you went to the University of Missouri. They might be in California or New York.

Would the banks consider it burdensome if we said that you are not only at liberty, but we would expect that you would report to whatever agency or agencies, that you report the existence of other consumer loans in your bank this loan in the same fashion?

Mr. **Grant**. I think that that would be the position of CBA, that it should be considered as other consumer loans in that regard.

Mr. **Ford**. Thank you. Thank you very much. We have to divert here a little bit. The president of the University of Missouri has to catch a plane. We will start with Dr. Magrath.

How long have you been down here; I am curious, when did you leave Minnesota?

Mr. **Magrath**. Well, chronologically, about 5 months ago. Psychologically, about two years ago in terms of how quickly things move when you get a place and you start over. I started here at the University of Missouri on the first of January. I had good years in Minnesota, and I think that I am going to have some good years here. It is a bit warmer.

Mr. **Ford**. The present Lieutenant Governor of Michigan, Martha Griffiths, is a graduate of your school, and then had the good luck to go to Michigan to law school.

Mr. **Magrath**. She is well credentialed, Mr. Chairman.

Mr. **Ford**. It was the University of Missouri that turned her out. She is the lady who passed the equal rights amendment for the first time in the House. She is not generally identified with the women's movement, but she learned all of that at the University of Missouri.

[Prepared statement of C. Peter Magrath follows:]

Prepared Statement of C. Peter Magrath, President, University of Missouri, St. Louis, MO

Mr. Chairman and Members of the Subcommittee, I am C. Peter Magrath, President of the University of Missouri. I am also the chairman of the National Association of State Universities and Land-Grant Colleges, Vice Chairman of the Association of American Universities and Chairman of the AAU Committee on Graduate Education. I am pleased to have the opportunity to testify before this Subcommittee on the subject of graduate education.

This morning, I will discuss the recommendations concerning graduate education that have been jointly compiled by those associations having a major concern for graduate education. These recommendations were developed by the AAU Working Group on Graduate Education, working closely with the Association of Graduate Schools, the Council of Graduate Schools in the United States, and the National Association of State Universities and Land-Grant Colleges. The position as developed by these groups also has been endorsed by the ACE Title IX Task Force and forms the basis of recommendations on graduate education to be submitted, by ACE on behalf of the higher education community to this Subcommittee on April 30.

We developed our reauthorization recommendations in the context of the national interest in graduate education, the federal role defined by that national interest, and responsibilities of the Department of Education in implementing the federal role in the support of graduate education. To quote from the report of the bipartisan National Commission on Student Financial Assistance, "Signs of Trouble and Erosion: A Report on Graduate Education in America": "Most Americans are aware in a general way of the importance of the graduate enterprise to the nation . . . Few of us comprehend, however, that graduate education and research are the bedrock of every important area of our national life. They support our commerce and industry, are crucial to our foreign policy and security, and are the foundation for our hopes for enhancing American life and culture." (I might note here that John Brademas, Chairman of the Graduate Education Subcommittee of the National Commission and President of New York University, is also a member of the AAU Committee on Graduate Education and participated in that capacity in the devleopment of our reauthorization recommendations.)

The sudden dependence on university science and scientists during World War II produced a clear recognition of the importance of federal support for university programs of research and graduate education. The successful launching of Sputnik produced a new surge of federal interest in research and advanced education as essential components of a national effort to regain and sustain American scientific and technological superiority.

Unfortunately, the federal commitment has eroded. The consequences of continued retraction of federal support will be far reaching. To quote Robert Rosenzweig, the President of the Association of American Universities, "There is a simple and clear prescription that can serve as a guide to national policy with respect to graduate education. It is: attend to the education and training of the nation's best young minds or fall behind those nations that do. National policy . . . has departed from that prescription, and the costs are now beginning to be counted. Successive national administrations of both parties, confronted with real economic problems and the need to reduce federal expenditures, have yielded too easily to the half-true and therefore doubly seductive notion that freely operating labor markets, unaided by external stimulus or correction, will produce the optimum number of highly trained, first-class people, distributed as needed throughout the society . . . There is ample evidence that the nation cannot presume the availability of a sufficient cadre of highly trained and talented scientists and scholars unless national policy provides incentives adequate to bring about that result."

Reauthorization of the Higher Education Act provides an important opportunity for the Congress to provide the means by which the Department of Education can help sustain the quality of graduate education by establishing and maintaining competitively funded programs that will encourage and enable a portion of the nation's most talented students to pursue graduate education in all fields and by providing broad-based financial support through grant, work, and loan programs to help the nation's graduate students meet the rising costs of graduate education.

The term "graduate education" includes a rich diversity of highly sophisticated programs ranging from professional masters to research doctorate degrees. We urge the Congress to provide in the Higher Education Act an explicit commitment to graduate education by authorizing a balanced set of programs designed to meet the diverse needs that exist in graduate education. Five of those programs now exist and should be extended with some modifications; three new programs should be created to address well-documented but unmet needs.

REAUTHORIZATION OF EXISTING PROGRAMS

Title IV

College Work-Study.—This program has great potential for supporting many more graduate students if additional appropriations are made available and if appropriate measures of need are instituted. At the graduate level, the Work-Study program provides important opportunities for financial support through work that is functionally related to a student's educational objectives. Of increasing importance, the program provides a means for students to help meet the costs of their education without increasing indebtedness. By supporting what are, in effect, research assistantships in all academic fields, work-study expands a concept that has long been valued in the sciences and engineering as an effective means to link the conduct of research and the training of researchers. Teaching assistantships supported by work-study not only provide training and financial assistance to students but assist the hard-pressed teaching budgets of universities.

Guaranteed Student Loan Program.—With the dramatic reduction in graduate student support through grants and fellowships over recent years, the number of graduate students who depend on the GSL program has increased substantially, as has the extent of the need. Yet the amount graduate students can borrow is not keeping pace with the increasing costs of graduate education. Without some increase in loan limits, a growing number of students will be unable to complete their graduate education.

At the same time, dependence on the GSL program by an increasing number of graduate students is generating serious concern over rising indebtedness. Rising costs have forced many students to borrow heavily for their undergraduate education, with the consequence that students entering graduate school often have already accumulated substantial debts. For those who, as graduate students, must continue to rely on the GSL program, the cumulative indebtedness can become excessive. This is especially worrying for students who anticipate relatively low-paying academic careers.

National Direct Student Loan Program.—This program provides low-interest loans to especially needy graduate students and should be reauthorized as it currently exists with continued federal capital contributions to expand the loan funds available on campuses to needy students.

The NDSL program provides slightly more subsidized loan support and therefore contributes proportionately less to indebtedness than the GSL program. Nonetheless, we are concerned about the long-term impact of increased borrowing on the career choices of those who receive graduate degrees and on the decision of whether even to pursue a graduate education on the part of the most able students—who, of course, have other attractive options. Therefore, loan consolidation should be restored. Either separately or as part of consolidation, extended and graduate repayment options should be developed to ease the impact of indebtedness.

Title IX

National Graduate Fellows Program.—This program provides portable, individual fellowships to exceptionally talented students for graduate study in the arts, humanities, and social sciences. By encouraging able students to pursue graduate work in these fields, and by providing comparable levels of support, this program complements the science and engineering fellowships funded by other federal agencies and restores a measure of balance to the federal commitment to excellence in graduate education.

Graduate and Professional Opportunities Program (GPOP).—Minorities make up 20.9% of the nation's population but receive only 10.9% of doctoral degrees. Blacks make up 12.1% of the population but receive only 4% of doctoral degrees. Of the 1000 doctorates received by blacks in 1983, 715 were in education and social science/psychology; only 32 were in the physical sciences. Hispanics and Native Americans have equally disturbing patterns of underrepresentation.

Although the magnitudes vary by race and field, in general representation of Blacks, Hispanics, and Native Americans drops proportionally at each ascending level of our educational system, culminating in the severe underrepresentation of these groups among the faculties of the leading colleges and universities. This nation cannot afford such a loss of talent from any sector of our population. Diverse faculties are important for the intellectual vigor and creativity of our institutions, and minority faculty members can serve as important role models for talented individuals who may not otherwise consider themselves candidates for academic careers.

The GPOP program has been designed specifically to provide support for students from groups underrepresented in graduate and professional fields. The program awards grants on a competitive basis to institutions which in turn provide fellowships to underrepresented students for advanced study in selected graduate and professional fields. This program has provided valuable support for moniorities and women and clearly should be continued.

AUTHORIZATION OF THREE NEW PROGRAMS

Title IV

Need-Based Grants.—Last fall, Congressman Ford introduced H.R. 6379, a bill that would provide additional broad-based financial assistance without increased reliance on loans. Patterned after the SEGO program, the bill would provide grants to institutions based on the aggregate financial need of their full-time first and second-year graduate and professional students. Institutions would select the students to be supported with such grant funds, with the stipulation only that such students have financial need and that the support provided be no less than $1000 not more than $5000 per year. This program would provide institutions with considerable flexibility to use grant funds in ways that most effectively meet their local needs. It would prove extremely useful to both students and institutions in meeting the rising costs of graduate education. We strongly urge Congress to authorize this measure.

Title IX

Competitive awards to strong academic departments to expand the quality and capacity of graduate education in key fields.—Last year, Congressman Coleman introduced H.R. 5292, which would provide for a program of grants competitively awarded to graduate departments or programs on the basis of proposals evaluated by panels of academic scholars. Departments would use these funds to attract and support promising graudate students and to provide support for research and educational activities related to their degree programs. Such a program would enhance both the quality and capacity of our nation's graduate education enterprise and should be given a high priority for inclusion in Title IX of the amended Higher Education Act.

Early Intervention Program: In Part A, Congress should authorize the Department of Education to administer an "early intervention" program through which it would competitively award grants to institutions for identifying talented minority undergraduates and providing them with effective, early exposure to the research and scholarly activities they will encounter in graduate school. Such exposure would take the form of summer research internships, seminars, and other educational experiences. Even on a modest scale, such a program would be a highly effective way to create a pool of minority students who have a competitive preparation for graduate education and would be an important complement to the GPOP program in the effort to increase the participation by underrepresented minorities in graduate education.

ASSESSING FINANCIAL NEED

As a society, we expect that parents will provide financial support for the undergraduate education of their children, up to the limit of the parents' capabilities and assuming that the undergraduate is not, in fact, financially independent. Although regulations based on these expectations may make sense for undergraduate students of traditional college age, they contradict reality at the graduate level, where students are typically 22 years or older and no longer have access to the same kinds of parental contributions. We strongly urge Congress to revise current policy by establishing that, for the purpose of assessing financial need, graduate students are to be considered categorically independent upon enrollment in a graduate program, with the single obvious constraint that, beginning with the year of their enrollment in graduate school, they cannot be declared as dependents on any other person's income tax return. I should note that this position was recommended by the National Commission on Student Financial Assistance in its report on graduate education.

I would like to close with a quotation from the National Commission's graduate education report: "In a world of increasing danger, greater complexity, and more difficult national and international problems—of larger risks and opportunities—graduate education is essential for securing the well-being of the nation. . . . But this Commission must report to the American people that it discerns signs of trouble, signs of erosion, in the nation's graduate capacity. . . . The Commission is concerned that all of us apprehend the critical importance of graduate education to our national life and understand clearly the gamble we take if we do not respond when the enterprise is in distress."

The needs that would be met by the set of programs I have outlined this morning are real and growing, and we hope that the Congress will choose to authorize this significant investment in and commitment to graduate education in this country.

STATEMENT OF PETER MAGRATH, PRESIDENT, UNIVERSITY OF MISSOURI, CHAIRMAN, AAU COMMITTEE ON GRADUATE EDUCATION

Mr. **MAGRATH**. Mr. Chairman, I have distributed some formal testimony, but I would like to speak informally for a few moments. And then my colleagues on the panel will have their comments to make, and perhaps you will have questions for me.

My basic purpose is to advocate a stronger role in graduate education in the reauthorization of the Higher Education Act. I am here today on a number of particular paths. I do represent the University of Missouri which enrolls about 52,000 students. And well over 10,000 of those students are graduate students, and about 6,200 more or less are receiving some form of financial assistance as they pursue their graduate studies.

I am also here as the current chairman of the National Association of State Universities and Land Grant Colleges, which organization represents about 2 million college students, and whose member institutions, 145 of them, produce about two-thirds of all of the doctoral degree recipients in the United States.

I am also active with the Association of American Universities, AAU. And for the past few years, I have been active in chairing the Graduate Education Committee of that Association. And we have all worked together in terms of various higher education associations and through the support of the American Council on Education who developed what we think is a solid consensus position with regard to the graduate education issues that are before your subcommittee.

These issues are very significant, and I do not need to remind you. They affect Members of Congress who have to deal with the need for deficit reduction as well as the setting of national priorities. They are of great significance to our State Governments that are under in many cases very severe pressures, and certainly diminished Federal support.

The issues are of significance, if you will, to graduate students. You might even use the word needy graduate students, as that comes quickly to mind. That is almost a redundant term. It is like saying frigid North Pole or wealthy Texans. Graduate students by definition are needy.

But I do not think that that is good enough. I do not think that that is the issue before us. The issue before us is what is in the national interest, why is it important to provide certain forms of encouragement and certain kinds of support to attract the best and brightest men and women into our graduate schools.

And the answer that I give is that I truly believe that graduate education, which is linked to our creative efforts in the United States through our research universities, is absolutely essential if we are to maintain a competitive edge as a Nation with regard to our economy, our national defense, and our security in the broadest sense.

I do not think that we can argue that stronger programs that support graduate education are going to solve the Nation's problems. I will not make that argument, but I think that that is an overstatement. I will make the suggestion that I believe that a stronger Federal commitment, and I do think that it is a national obligation, Mr. Chairman, to graduate education does provide us with some of the critical tools that we need to work on solving our problems, whether we are talking about international trade that requires communication, and marketing, and foreign languages, or whether we are talking about engineering and science research that is relevant to our economy and our national defense, of course, and other areas.

I think that our mutual concern is to try to develop a common strategy that makes sense not only for the Congress but for the American people who can then appreciate the importance of making some reasonable investments in graduate education.

As you very well know, there are a number of programs that do currently speak to the needs and the support of graduate education. And I do officially ask the panel to reauthorize the five existing programs that are now in the present higher education legislation. That includes the College Work-Study Program, which does have relevance for graduate education. It provides work and training opportunities for graduate students in our Nation's universities.

It might be interesting to note that at the University of Missouri that about 166 graduate students availing themselves of the College Work-Study Program which I know has been typically regarded as primarily serving the needs of undergraduate students. But it is not irrelevant, and in fact is relevant to graduate education.

We urge, of course, the reauthorization of the Guaranteed Student Loan Program, the GSL Program. I might mention again using the University of Missouri as my base of illustration, but I think that we could make the same points for Washington University as well as for St. Louis University, that we have about 2600 students at the University that are using the GSL Program. And you might be interested that the average amount of the loan as of last year totaled $3,782.

We are supporting, of course, the reauthorization of NDSL. I almost said national defense, because that is how it started, and I still think that that is pertinent. But we now call it the National Direct Student Loan Program. That, of course, is to provide assistance to students who are disadvantaged in an economic sense; 922 University of Missouri graduate students received NDSL's last year. The average loan totaled $1,815.

Title 9, the National Graduate Fellowship Program, which provides fellowships to especially talented graduate students in the arts, humanities, and the social sciences is a modest but excellent program and we, of course, strongly support that.

We also hope for a reauthorization of the so-called GPOP, the Graduate and Professional Opportunities Program. I know that Chancellor Danforth earlier this morning in welcoming you made reference to the imperative national obligation and national benefit in continuing to provide support and accelerating support for our talented minorities.

I will use just one statistic. Blacks comprise about 12 percent of our Nation's population, but they receive only about 4 percent of the doctoral degrees. The GPOP is a program that does speak in part to this need in terms of identifying and supporting talented minorities and women.

At the University of Missouri, we have about fifteen students who are benefiting from this program. And I am happy to report that through this program that the first American black women to receive a doctoral degree in journalism was graduated recently from the University of Missouri, Columbia. And one of the few women in the United States to receive a doctoral degree in nuclear engineering at the University of Missouri came through this program.

We ask students every year how this particular program has helped them. And I am just going to read one statement from a student in plant pathology who is under the GPOP.

And this person wrote; To attend graduate school is a great honor as well as a sacrifice. Many students are discouraged from pursuing postbaccalaureate degrees due to high costs involved as well as other factors. I have been very fortunate to have been awarded GPOP fellowships for a master's of science degree and currently for work toward by doctoral degree. Without the help of this program, I am not sure how I would have been able to avail myself of graduate education.

Mr. Chairman, we also urge you and your subcommittee and Congress to authorize three new programs that are recommended by the AAU working group in graduate education and the associations that I represent.

One of these, Mr. Chairman, is the bill that you introduced last year under title 4 which would be a program of need based grants that would provide broad based aid really for the first time for graduate students without reliance on loans. And we strongly urge Congress to authorize this measure.

Under title 9, with equal vigor we would hope that the program proposal that Congressman Coleman has proposed that would provide targeted grants to graduate programs on a competitive award basis would also be authorized. It is a very good idea as is your idea, and both would represent tangible significant investments in our future.

We also would hope that the early intervention program that has been proposed which would also establish a competitive award program to institutions for the purpose of identifying especially talented undergraduates and providing for early preparation for graduate student to attract minorities in the graduate programs is a very good idea. It would be a very good complement, if you will, to the program.

I believe that these existing programs as well as the three new ones suggested represent what arguably what can be regarded as a national priority in terms of investing in graduate education and in the talented men and women that really not the solution, but are important parts of the solution for our Nation in the years ahead. The fruits of that investment are immediately obvious, but they are painfully obviously over the long run. And I believe that graduate education should be given, and I hope what you will be able to give it a high priority in the reauthorization. The issue, I think, is maintaining a competitive edge in the United States. That is a complicated subject, but it absolutely in my judgment involved a commitment to graduate education in research universities. Thank you very much, Mr. Chairman.

Mr. FORD. Thank you. Mr. Wilson.

[Prepared statement of Edward N. Wilson follows:]

PREPARED STATEMENT OF EDWARD N. WILSON, DEAN OF THE GRADUATE SCHOOL OF ARTS AND SCIENCES, WASHINGTON UNIVERSITY

Thank you, Mr. Chairman, for the opportunity granted me this morning to comment upon issues in graduate education relevant to the current debate on reauthorization of the Higher Education Act. I certainly appreciate, Mr. Chairman, the concern for graduate education evident in your leadership of this Subcommittee. Later in my testimony, I will comment favorably on both your recent initiative and that of Representative Coleman.

My remarks this morning will be focused on the following topics:

1. Merit Fellowship Programs.
2. Programs to Increase Representation of Minorities in Graduate Education.
3. Broad-Based Support Programs.

Over the last fifteen years, precipitous declines in Ph.D. production have ocurred in many disciplines. I have reproduced in an appendix to my testimony a few of the data presented in the 1983 Summary Report on Doctorate Recipients in the United States published by the National Research Council. The mild decline over all fields in Ph.D. production from 1974 to 1983 hides such things as a 56% drop from 276 to 121 in the annual numbers of French Ph.D.s, a 32% drop from 1008 to 698 in the number of Mathematics Ph.D.s, and a 40% drop from 909 to 542 in the number of Political Science and Public Policy Ph.D.s. Other fields where the production decline is in excess of 40% include English, German, History, and Philosophy. A number of recent studies have noted ominous changes in the percentages of U.S. Ph.D.s granted to citizens of foreign countries, e.g. from 35% in 1973 to 54% in 1983 in Engineering and over the same period, from 21% to 37% in Mathematics. Other studies have found a national decline in the quality of graduate students. Data of this kind suggest an urgent need for programs designed to attract highly talented undergraduates into specific fields of graduate education.

Competitive merit-based graduate Fellowship programs provide, at relatively low cost, an unambiguous signal to such students of the national interest in promoting high quality scholarship. I strongly support reauthorization of the newly funded National Graduate Fellows Program in the Arts, Humanities, and Social Sciences and greatly welcome the initiative by Representative Coleman to establish a program in designated disciplines of institutional grants to academic departments whose programs and proposals were deemed to be of high quality by assigned review panels. The current draft bill introduced by Representative Coleman is highly admirable in nearly every respect. I am mildly concerned, however, by its stipulation that all departmental grants be of minimal annual size without provision for institutional transfer from one approved department to another. As data appended to this testimony indicate, there are a great many highly ranked graduate programs around the country which produce only a handful of Ph.D.s per year. As an extreme example, in the field of German, only one program in the country produces, on the average, more than 5 Ph.D.s annually. In Mathematics, according to the 1982 NRC rankings of 115 doctorate granting departments, 7 out of the top 20 and 23 out of the top 39 produced an average of less than 7 Ph.D.s per year in the period from 1975 to 1980. Programs this small inevitably see large fluctuations from year to year in the quantity and quality of their entering graduate classes. By permitting some institutional latitude on transfer of funds from one funded department to another, the proposed program could better serve its intent to help graduate institutions attract the best possible students into their outstanding programs.

The nation's colleges and universities have for many years been aware of the urgent need to increase representation of women and minorities on their facilities in disciplines where such individuals have been severely underrepresented. Vigorous recruiting efforts have often met with little or no success, however. To be more successful, these efforts must be coupled with increases in the pool of available Ph.D.s. While modest increases in the number of women Ph.D. recipients have been observed, the numbers of minority Ph.D. recipients, in many key fields, either have not increased or have actually dropped in recent years.

Thus, in Mathematics, the country produced a total of 3 black Ph.D.s in 1983 compared with 6 in the previous year. Out of 637 national Ph.D.s in the Earth, Atmospheric and Marine Sciences during 1983, only 1 was black. The percentage of 1983 black Ph.D.s in every branch of the physical sciences was at or below 1%. Similar abysmally low percentages in the sciences apply to students of Hispanic and American Indian descent. The percentages are only slightly higher in the social sciences and humanities. These data make it vital that reauthorization of the Higher Education Act include not only a revitalized G*POP program with stipends competitive with other fellowship programs, but encouragement of new initiatives such as early identification summer programs designed to acquaint minority undergraduates with the excitement of the research process. At Washington University, we have operated for the last five years a small summer program for MARC students attending historically black undergraduate institutions. We did a follow-up study on the participants in our first three summer programs and found that 50% subsequently entered front-line Ph.D. programs in the sciences, 25% entered Medical School, and only 25% did not immediately embark on post-baccalaureate study. Numbers of this sort speak for themselves on the huge potential benefit to be reaped by a small national investment in early identification programs. Despite our frustration with structural drawbacks in the current G*POP program, we have been delighted to observe the success of many of our G*POP Fellows. For example, from our inaugural group of G*POP Fellows in 1979, two chemists received their Ph.D.s here last year and went on to accept very good post-doctoral positions. This positive experience has led directly to concrete innovative suggestions from our Chemistry Department on attraction and retention of future minority students.

The programs mentioned above are small in scope with highly specific goals. However, there is also a need for broad-based federal support of graduate education in the form of grant, work and loan programs. Institutional data reflecting our sizable use of federal loan and College Work Study funds for graduate students is appended. H.R. 6379, introduced by the Chairman last fall, would establish grants to institutions for the purposes of providing support based on relative financial need to institutionally selected full-time first and second year graduate and professional students. The flexibility granted to institutions in this bill would encourage effective use of these monies to restrict the growing debt burden now shouldered by many students. I hope the Congress will choose to authorize this program along with reauthorization of the College Work Study program. Even with enhanced need-based grant and work programs, many students will still be forced to resort to loans in order to complete their graduate educations. Loan consolidation programs and lengthened repayment periods are urgently needed to forestall situations such as the one which recently brought one of our promising junior faculty members to the verge of bankruptcy when confronted by heavy GSL repayment bills and unusual family medical expenses.

Thank you again for permitting me to speak to you on these matters. I will be happy to respond to any questions you may have.

APPENDIX I.—NATIONAL PRODUCTION OF PH.D'S IN SELECTED DISCIPLINES AND TOTALS FOR ALL DISCIPINES [1]

Humanities	Number of Ph.D.'s in 1974	Number of Ph.D.'s in 1983	Percent change 1974-83	Number of black Ph.D.'s in 1983	Percent of black Ph.D.'s in 1983
American and English literature	1,369	714	−48	23	0.3
French	276	121	−56	3	2.5
German	169	77	−54	1	1.3
History	1,186	616	−48	19	.3
Philosophy	417	242	−42	2	.8
Social sciences:					
Economics	834	792	−5	15	1.9
Education	7,241	7,147	−1	516	7.2
Political science, international relations and public policy	901	542	−40	25	4.6
Psychology	2,598	3,307	+27	112	3.4
Physical sciences and engineering:					
Chemistry	1,797	1,759	−2	16	.9
Computer science and computing theory	203	297	+32	3	1.0
Earth, atmospheric, and marine sciences	629	637	+1	1	.2
Engineering	3,147	2,780	−12	29	1.0
Mathematics	1,008	689	−32	3	.4
Physics and astronomy	1,339	1,042	−22	9	.8
Total—all disciplines	33,047	31,190	−6	1,000	3.2

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[1] Summary Report 1983 Doctorate Recipients from U.S. universities, National Research Council, National Academy Press, Washington, DC 1983, pp. 26–29 and 46–49

APPENDIX II.—PH.D PRODUCTION BY INSTITUTION IN THE FIELD OF GERMAN

Source: Valters Nollendorfs and Carol A. Arness, "Special Survey. Graduate Programs in German," in: Monatsheft Fall 1984, vol. 76, No. 3, page 311ff.

Institutions awarding an average of at least 2 Ph.D.'s during the last 5 years

	1980-84
Wisconsin-Madison	27
California-Berkeley	21
Stanford	19
Texas-Austin	18
U. of Washington	14
Yale	14
Harvard	12
Illinois	12
Washington Univ.	12
Indiana	11
Johns Hopkins	11
Princeton	11
Cornell	10
North Carolina	10
So. California	10
Virginia	10

PH.D'S AWARDED 1965–84

	1965–79	1980	1981	1982	1983	1984	Total 1980–84	20-year total
University of Alberta	6		1		2	2	5	11
Boston College	18							18
Boston University	2							2
Brandeis	1							1
Brigham Young	5							5
University of British Columbia	12	3	1	1	2		7	12
Brown University	21			1			1	22
Bryn Mawr	12		1	1				14
University of California:								
Berkley	63	6	4	1	5	5	21	84
Davis	14		2			1	3	17
Irvine	3		2			4	6	9
Los Angeles	49	1	1	3		1	6	55
Riverside	12							12
San Diego	0	1	1	2	1	1	6	6
Santa Barbara	7		3		2	1	6	13
Santa Cruz	2							2
Case Western Reserve	10		1	1			2	12
Catholic University	1							1
University of Chicago	36				1		1	37
Cincinnati	31	1	2			3	6	37
University of Colorado	43		1	1	1		3	46
Columbia	37							37
University of Connecticut	35	1	1	1	1		4	39
Cornell University	42	4		1		5	10	52
CUNY	11					4	4	15
Florida	1							1
Georgetown University		1			1		2	2
George Washington University	10	1					1	11
Harvard University	79	3	3	1	3	2	12	91
Illinois	50	4	3	1	3	1	12	62
Indiana	84	2	2	3	2	2	11	95
Iowa	15	1	1	1	1		4	19
Johns Hopkins	45	3	4	3		1	11	56
Kansas	33	1	1		1		3	36
Kentucky	7			1	1		2	9
Louisiana State	14		1	2			3	17
McGill University	23	2					2	25
Maryland	11							11
Mass.-Amherst	33	4	1	1	1	1	8	41
Michigan	63	2	2		1	1	6	69
Michigan State	29			2	1		3	32
Minnesota	36	4	1	2	1		8	44
Nebraska	13	1				1	2	15
New York University	75	3		3	3		9	84
North Carolina	43		5		2	3	10	53
Northwestern	32	5	2		1		8	40
Ohio State	54	2	1	1	2	3	9	63
Western Ontario	1							1
Oregon	26	3	2	2			7	33
Pennsylvania	50	3	2	1	1	1	8	58
Penn. State	9	3	1				4	13
Pittsburgh	12		1	1			2	14
Princeton	50		2	2	5	2	11	61
Purdue	3							3
Queen's University	9	1			1	1	3	12
Rice	29	2	1	1			4	33
Rochester	4							4
Rutgers	34	2	1		3	2	8	42
University of Southern California	40	4	1	1	2	2	10	50
Stanford	97	4	2	4	5	4	19	116
SUNY:								

PH.D'S AWARDED 1965–84—Continued

	1965–79	1980	1981	1982	1983	1984	Total 1980–84	20-year total
Albany	7	2		1	2		5	12
Binghamton	4	1					1	5
Buffalo	13			1	2	1	4	17
Stony Brook	5	1	2	3	2	1	9	14
Syracuse	9			1	1	1	3	12
Tennessee	2							2
Texas-Austin	62	3	4	4	1	6	18	80
Toronto	34	1	3	1	2	2	9	43
Tufts	1							1
Tulane	25							25
Utah	12	4		2	2	1	9	21
Vanderbilt	33		1				1	34
Virginia	9	2	6			2	10	19
University of Washington	71		4	2	6	2	14	85
Washington University	30	2		1	4	5	12	42
Waterloo	18	1	1	1	2		5	23
Wayne State	6					1	1	7
Wisconsin-Madison	62	6	6	5	2	8	27	89
Yale	59	6	2	3	3		14	73
Total	2,049	107	90	71	85	84	437	2,486

APPENDIX III.—PH.D PRODUCTION OF HIGHLY RANKED MATHEMATICS DEPARTMENTS [1]

University	1982 NRC Program rating [2]	Number Ph.D.'s awarded 1975–80 [3]
Brandeis	2.1	21
Brown	2.4	80
CUNY—Graduate School	1.9	33
California Institute of Technology	2.2	13
California—Berkeley	2.7	160
California—Los Angeles	2.3	50
California—San Diego	2.0	31
Carnegie-Mellon	1.9	24
Chicago	2.7	60
Colorado	1.8	34
Columbia	2.3	30
Cornell	2.3	44
Havard	2.7	28
Illinois—Urbana/Champaign	2.3	79
Indiana	2.0	21
Kentucky	1.8	22
Maryland—College Park (Applied mathematics)	1.9	3
Maryland—College Park (mathematics)	2.0	31
Massachusetts Institute of Technology	2.7	116
Michigan	2.4	67
Minnesota	2.2	34
New York University-Courant Institute	2.6	70
Northwestern	2.0	29
Ohio State	1.8	45
Oregon	1.8	22
Pennsylvania State	1.8	23
Pennsylvania	2.1	23
Princeton	2.8	63
Purdue	2.1	28
Rice	2.0	9
Rutgers	2.0	57
SUNY-Stony Brook	2.0	35
Standford	2.6	48

APPENDIX III.—PH.D PRODUCTION OF HIGHLY RANKED MATHEMATICS DEPARTMENTS [1]—Continued

University	1982 NRC Program rating [2]	Number Ph.D.'s awarded 1975-80 [3]
Texas-Austin	1.8	29
Virginia	1.8	16
Washington-St. Louis	1.8	14
Wahington-Seattle	1.8	31
Wisconsin	2.4	76
Yale	2.5	43

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[1] "An Assessment of Research-Doctorate Programs in the United States: Mathematical and Physical Sciences," National Academy Press, Washington, D.C. 1982, pp. 98-1090

[2] This source ranks 115 doctoral programs in Mathematics and Computer Science. Those with program rankings of 1.8 or higher are listed above.

[3] National Ph.D. production in Mathematics has declined substantially since 1975-80. Hence current departmental production figures will, on the average, be lower

APPENDIX IV.—FEDERAL FUNDS USED BY WASHINGTON UNIVERSITY GRADUATE STUDENTS

[As processed by the Financial Aid Section of the Graduate School of Arts and Sciences]

Year	Graduate and Professional Opportunities Program [GPOP]		Guaranteed Student Loan [GSL]			College work-study [CWS]			National Direct Student Loan [NDSL]		
	Dollars	Students	Dollars	Students	Average award	Dollars [1]	Students	Average award	Dollars	Students	Average award
1979–80	138,125	12	307,654	124	$2,481	430,813	157	$2,744	65,500	29	$2,258
1980–81	148,440	16	494,275	181	2,731	755,128	235	3,213	106,450	33	2,008
1981–82	203,324	23	693,170	191	3,629	409,878	124	3,297	89,250	44	2,028
1982–83	178,500	22	617,913	153	4,038	377,468	102	3,701	115,750	45	2,572
1983–84	75,600	9	534,051	138	3,870	392,991	102	3,853	127,932	49	2,610

[1] The dollars in this column include total compensation (Federal share—65 percent plus institutional share—35 percent).

1983-84

	NDSL		GSL		PLUS		CWS	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Anthropology	2	$5,000	2	$4,500		0	5	$11,816
Art and Archaeology	2	4,000	1	2,500		0	2	10,000
Asian Studies		0	2	6,200	1	$3,000	1	2,688
Biology and Biomedical Sciences	2	9,800	16	57,849		0		0
Chemistry	2	8,800	4	16,300		0	12	66,356
Classics		0	1	5,000		0		0
Comparative Literature	1	1,500	1	1,500		0	4	10,868
Earth and Planetary Sciences	1	1,500	2	10,000		0	3	13,033
Economics	1	2,500	9	31,665	1	3,000	6	17,208
Education	6	18,182	8	26,484		0	5	16,350
English—Writer's Program		0	7	22,768		0	7	27,959
German	2	3,900	5	18,265		0	4	12,500
History	2	2,800	1	3,768		0	3	13,750
Mathematics		0	1	1,950		0	2	6,500
Music	5	11,250	11	51,150		0	9	23,548
Organizational Behavior	1	3,000	1	1,700		0		0
Philosophy	4	11,000	9	37,468		0	5	22,170
Physics	1	1,500	3	11,000		0	20	87,644
Political Science	3	6,000	5	16,254		0	5	19,389
Psychology	7	15,800	28	122,100		0	6	22,262
Romance Languages	1	1,900	2	10,000		0	1	4,200
Social Work	3	11,500	6	23,130		0		0
Sociology	1	2,500	6	23,000	1	3,000	2	4,750
Speech and Hearing	1	2,500	5	23,500		0		0
Technology and Human Affairs	1	3,000	2	6,000		0		0
Total	49	127,932	138	534,051	3	9,000	102	392,991

STATEMENT OF EDWARD N. WILSON, DEAN OF THE GRADUATE SCHOOL OF ARTS AND SCIENCES, WASHINGTON UNIVERSITY

Mr. WILSON. Thank you, Mr. Chairman, for the opportunity that you have granted me to appear on this panel. My name is Edward Wilson, and I serve as the dean of the Graduate School of Arts and Sciences here at Washington University.

I certainly appreciate, Mr. Chairman, the concern for graduate education evident in your leadership of this subcommittee, and later in my testimony I will comment favorably on both your initiative and that of Representative Coleman.

I will focus my remarks this morning on three topics, merit fellowship programs, programs to increase representation of minorities in graduate education, and broad based support programs. In the interests of time, I will not stress the things that buttress the testimony of my colleague, President Magrath, but will instead concentrate on some of the experiences at Washington University that support these things.

I have noted in my testimony that although the overall production of Ph.D's has gone through only small declines in the last 10 years, that there have been some very dramatic and disturbing declines in a number of specific fields, and very key fields to scholarly endeavors and the teaching process.

There has been over a 40-percent decline in English, German, history, philosophy, French, and political science; over 30 percent in mathematics. At the same time, we have seen the percentage of doctorates given to citizens of foreign countries climb from 85 percent in engineering in 1973 to 54 percent in 1983. And over the same period, it roughly doubled in mathematics.

The indications are that those climbs in percentages are still continuing. Data of this kind strongly suggests an urgent need for programs designed to attract highly talented undergraduates in very specific fields of graduate education.

Competitive merit based graduate fellowship programs provide at relatively low cost an unambiguous signal to such students that it is in the national interest in promoting high quality scholarship.

For these reasons, I strongly support reauthorization of the newly funded National Graduate Fellows Program. And I greatly welcome the initiative by Representative Coleman to establish the new program that President Magrath just discussed.

I might mention that although I believe that the current draft bill introduced by Representative Coleman is highly admirable in nearly every respect, I have mild concern by the stipulation that all departmental grants be of minimal annual size without provision for institutional transfer from one approved department to another. The reason being that as it is now conducted that many, many Ph.D programs throughout the country are very, very small. I have noted that in the field of German that there is only one program in the country that produces on the average five Ph.D's a year, one.

In mathematics, there are some 23 out of the top 39 programs in a list of 115, the rankings being those of the NRC, some 23 out of 29 produce on the average less than seven Ph.D's per year.

Programs this small inevitably see large fluctuations from year to year in both the quantity and quality of their entering graduate classes. By permitting some institutional latitude on transfer funds from one funded department to another funded department, the proposed program in my belief could better serve its intent to help graduate institutions attract the very best possible students into their very best programs.

I strongly support reauthorization of the GPOP. And as President Magrath mentioned, possible new programs designed to help graduate schools identify in an early fashion students and to begin to acquaint them with the research process.

The numbers that President Magrath mentioned, some 4 percent of Ph.D's awarded to minorities hide the fact that in the physical sciences and engineering that there is not a single discipline above 1 percent. In Earth, atmospheric, and marine sciences, one Ph.D awarded to a black individual last year out of some 637. In mathematics, three black Ph.D's out of some 700, and that compares with six the previous year. There are other fields where the numbers appear to be dropping.

We have operated a small summer program for the last several years at Washington University. We did a followup study that indicated that 75 percent of those that participated either later entered a front line Ph.D Program or Medical School Program. The programs can indeed by very, very effective, and I strongly support them.

We have had a positive experience with our GPOP fellows. We have had some concern over structural drawbacks in the program, but we believe that the data that I have mentioned makes it vital that the GPOP in some form be continued.

The programs mentioned above are small in scope with highly specific goals. There is certainly a considerable need for broad based Federal support of graduate education in the form of grant work and loan programs. I have appended institutional data reflecting our sizable use of Federal loan and college work-study funds.

Your own bill, H.R. 6379, had been mentioned, and I strongly support it. The flexibility within that bill granted to institutions would strongly encourage the effective use of the moneys to restrict the growing debt burden now shouldered by many students, and I would hope that the Congress would choose to authorize that program along with reauthorization of college work study.

As has been mentioned earlier this morning, even with enhanced need base grant and work programs, many students will still be forced to resort to loans in order to complete their graduate educations. And I believe that it is very important that reauthorization give consideration to the possibility of loan consolidation programs and lengthened repayment periods.

And I have noted that one of our junior faculty members, a very promising one at that, came very, very close to bankruptcy during the current year when faced with the proximity of both heavy GSL repayment bills and unusual family medical expenses.

Thank you very much for permitting me to speak with you, and I would be happy to answer questions.

Mr. Ford. Thank you. Mr. Ashford.

[Prepared statement of Leon E. Ashford follows:]

Prepared Statement of Leon E. Ashford, Director, Special Services Project, Washington University, St. Louis MO: President, Missouri-Kansas-Nebraska Chapter of the Mid-America Association of Educational Opportunity Program Personnel

I appreciate the opportunity to submit this testimony to the Sub-committee on Post-secondary Education. I feel that this is a crucial time for the disadvantaged young people of our nation. I have devoted much of my energies over the last fourteen years to providing assistance for disadvantaged students who have matriculated in post-secondary education. While my direct experience has been within the college setting, I have remained knowledgeable about other TRIO-based programs through my affiliation with Mid-America Association of Educational Opportunity Program Personnel (MAEOPP) and Missouri-Kansas-Nebraska (MO-KAN-NE).

All of the reports that I have seen indicate that the TRIO-based projects have been effective. One such source of information is the National Council of Educational Opportunity Association (NCEOA). The NCEOA reports indicate: 1. High School students who have participated in Upward Bound projects are more likely to graduate from college than similar non-participants. 2. The Talent Search and Educational Opportunity Centers that provide information about college and financial aid to the target group have substantially increased the number of disadvantaged students who go on for post secondary education. In fact, over 20% of the black and hispanic students who enter college receive assistance through these projects. 3. Special Services Projects have increased the retention and graduation of disadvantaged students by providing counseling, tutoring and remedial courses for participants.

The main portion of my testimony will address the Special Services Project at Washington University. First, I will present some background information about the University and explain how the Special Services Project has retained and helped students graduate from the institution.

The second section of my testimony outlines recommendations for additions or modifications to the Higher Education Act. Information about two students who participated in an Upward Bound Program is presented in the third section, and the last section contains data on the TRIO projects in Missouri.

Washington University is an independent medium-sized (4,499 undergraduates, 3,814 graduates), nonsectarian institution located in metropolitan St. Louis, Missouri. Its strong emphasis on excellence in undergraduate, graduate and professional education, as well as research and scholarly activity, attracts many outstanding faculty members and students. It is a highly selective institution with a competitive student body that has sought out the kind of challenging curriculum the University offers. Over the last four years, more than half of the entering freshman graduated in the top ten percent of their high school class. Their average Scholastic Aptitude Test (SAT) and American College Test (ACT) score ranked in the 90th percentile of the national distribution of scores. Table I shows the average SAT and ACT scores for Washington University's freshmen for 1980-1983.

Washington University attracts a relatively large number of disadvantaged (i.e. low income and first generation) students with academic potential, who are seeking a quality education. During the current academic year, approximately 600 students are eligible for Special Services assistance on one or more of the government-designated criteria. This figure includes 25 handicapped students (physical or learning disabled). Only 290 students were selected from the eligible pool to participate in the Special Services Project for the 1984-85 year. Project participants are selected on the basis of academic need and government distribution requirements.

There are a number of potential difficulties that disadvantaged students must overcome in order to successfully complete their curriculum at Washington University. These students encounter educational, socio-cultural, financial and vocational challenges. The problems faced by any one student often involve more than one of these areas and a range of services may be needed to enhance that student's chance of academic success.

Amelioration of participants' educational deficits is a major goal of Special Services staff. The project's experience since 1970 has shown that if these students are to succeed at Washington University, special services, in addition to the University's services, are needed to help alleviate such educational deficits.

One source of evidence supporting the existence of educational deficits comes from test scores. There is a striking discrepancy between the average SAT and ACT scores of Special Services freshmen for the years 1980-1983 and corresponding scores for the total group of Washington University entering freshmen. Data in Table 2, when compared to that in Table 1, shows a difference of 90-100 points on SAT-V, 110-130 points on SAT-M, and 5-7 points on ACT-Composite. This difference in average test scores suggests that the background of most disadvantaged students is not equal to that of the traditional student at the University and that it may be difficult for Special Services students to compete with the rest of their classmates unless some developmental and remedial services bridge the gap.

TABLE I.—AVERAGE SAT AND ACT SCORES,[1] ENTERING FRESHMAN CLASSES, 1980-83

	1980	1981	1982	1983
SAT—V	562	563	562	555
SAT—M	614	613	618	622
ACT—Composite	27	27	27	27

[1] Data furnished by admissions office.

TABLE II.—AVERAGE SAT AND ACT SCORES,[1] SPECIAL SERVICE FRESHMAN, 1980-83

	1980	1981	1982	1983
SAT—V	465	460	471	463
SAT—M	485	482	504	516
ACT—C	22	21	20	21

[1] Computed on available data in special services files.

Project participants are also at a disadvantage when the quality of their high school education is considered. Many attended high schools in economically depressed areas where they have not received the rigorous training needed for success at an institution like Washington University. However, there is striking evidence that these students have high academic potential. Since the fall of 1980, approximately 60-65% of the Special Services Project participants have ranked in the top 10% of their high school class. This figure suggests that these students have the potential but may only need the assistance provided by Special Services in order to succeed.

The following supportive services have been provided to increase the retention and graduation rate of Special Services project participants: (1) counseling, (2) tutoring, (3) basic skills instruction, (4) career guidance and (5) financial aid information.

1. *Counseling.*—The purpose of counseling is to assist students in adjusting academically and/or socially to the university environment. Project participants are provided individual and group personal counseling to help them work through problem areas and concerns related to their personal growth and development. Emphasis is placed on helping each student develop a positive self image and the confidence needed to effectively manage his/her environment. Project participants also receive academic counseling/advising. Advising includes course selection, choosing appropriate major, identifying academic strengths and weaknesses as well as planning a four-year course of study.

2. *Tutoring.*—Project participants are provided academic support services designed to improve their academic skills. Individual and small group tutorial sessions are available for Special Services' students. Since Washington University does not generally offer remedial courses, the intense one-on-one tutoring experience provides an environment for helping students remedy deficits and develop the needed cognitive skills. The group format consists of small tutorial groups and workshops. The small tutorial groups, composed of a tutor and 2-3 students, foster peer interaction and a supportive milieu. These groups are scheduled as needed in any subject area. For groups of 6-20 people, workshops are scheduled weekly in specific disciplines (e.g., mathematics, chemistry and physics).

3. *Basic Skills Instruction.*—Project participants receive basic skills instruction through the Special Services' Learning Center. Instruction areas include reading, writing, and study skills. The reading skills instruction includes training in speed reading, critical reading and textbook mastery. Writing instructors provide a variety of services ranging from teaching basic grammar to assisting students in preparing term papers and other written assignments. Students also receive training in test taking, problem solving, time management and other topics.

4. *Career Guidance.*—Another important service available for project participants is assistance in career planning and development. Counselors help student integrate their measured interests and abilities with a compatible academic major. The staff also helps students establish realistic career goals. Activities designed to accomplish the above task consist of vocational and interest testing, career fairs and workshops which may include guest speakers.

5. *Financial Aid Information.*—While the Special Services project does not administer financial aid, the staff is cognizant of the complexity of the financial aid process. To this end, counselors help students obtain needed information and make sure that participants have enough financial aid to take care of their needs.

RECOMMENDATION FOR THE HIGHER EDUCATION ACT

1. That in making grants and contracts under the TRIO subpart, the Secretary shall give the applicant's prior experience of service delivery under the particular program for which funds are sought in weight of at least 13%.

2. That the requirement that institutions sponsoring Educational Opportunity Centers provide a 25% matching cost by eliminated since no other TRIO program has a matching requirement.

3. That admissions counselors, financial aid officers, high school counselors, and teachers be trained to better serve disadvantaged students through grants awarded under the TRIO Staff Development authority.

4. That training activity include as an allowable cost the publication and dissemination of manuals to improve the operation of TRIO programs.

5. That for the purpose of making grants and contracts under the TRIO subpart, there be authorized for appropriations:

$400,000,000 for fiscal year 1988; $450,000,000 for fiscal year 1989; $500,000,000 for fiscal year 1990; $550,000,000 for fiscal year 1991; and such sums as necessary for fiscal year 1992.

STUDENT TESTIMONY

Joey Henderson, who is a participant in the Special Services Project at Washington University, will present his personal testimony during the hearing. Therefore, I have decided not to present the case of another Special Service students. However, I will present in this testimony information on two students who participated in the Emporia State University Upward Bound Program in St. Joseph, Missouri.

The Upward Bound Program provides disadvantaged high school students who have academic potential with the challenging educational programs, guidance and inspiration they need to matriculate into college. The value of this program is illustrated by the success of two of its participants:

Martha Roberts

Martha Roberts is a freshman, currently enrolled at Emporia State University in Emporia, Kansas. She is active in the Special Services program at Emporia State University and is planning on majoring in elementary education. Martha is maintaining a G.P.A. of 2.3/4.0. She has participated in the Upward Bound Program since May, 1981.

Before coming to Emporia State, Martha lived in St. Joseph, Missouri with her grandmother whose major source of income was the $121 a month she received in Aid to Dependent Children (ADC) payments for the care of Martha and her brother. As a high school student, Martha showed high academic promise which was not realized. Through Upward Bound she gained the self-confidence, direction, and discipline to make appropriate choices in her life. Her dreams are now becoming a reality.

Marsha Bosley

Marsha Bosley, a high school student in the Project Focus Program, is an example of the spirit and effectiveness of Upward Bound. Shortly after joining Upward Bound, Martha was diagnosed as having a form of Lou Gehrigs disease, which causes muscular deterioration. In spite of her debilitating illness, she attended the Upward Bound summer session, improved her grade point average from 1.6 to 3.0/4.0, and began the process of career exploration and training. With the coaching of an Upward Bound instructor she also learned to swim as therapy in her fight against Lou Gehrig's. Marsha's nickname is "Sparky", and she is a giant among Upward Bound students, epitomizing the purpose of TRIO programs as a means of educational and personal opportunity.

STATEMENT OF LEON E. ASHFORD, DIRECTOR, SPECIAL SERVICES PROJECT, WASHINGTON UNIVERSITY; AND PRESIDENT, MISSOURI-KANSAS-NEBRASKA CHAPTER OF THE MID-AMERICA ASSOCIATION OF EDUCATIONAL OPPORTUNITY PROGRAM PERSONNEL

Mr. ASHFORD. Mr. Chairman, and Mr. Coleman, and other members of the panel, I appreciate this opportunity to appear before you. I am Leon Ashford, and I am director of the Special Services Program here at Washington University. I am also a member of the Mid-America Association of Educational Opportunity Program Personnel. I should say also that I am president of the Missouri-Kansas-Nebraska Chapter of that organization.

I have been affiliated with TRIO programs for the last fourteen years. I started out sort of as a part-time counselor with the organization. And since 1980, I have been a director of the special services project.

At first, I was under the impression that I would be on this panel alone, in that the student that was supposed to appear was not able to come when the date was changed. He is a recent graduate of this institution, and I would like to refer to his testimony during my comments.

Mr. FORD. We have copies of Joe Henderson's statement. And without objection, we will put it in the record at this point.

Mr. ASHFORD. Thank you very much.

[Prepared statement of Joey Henderson follows:]

Prepared Statement of Joey Henderson, Student, Washington University, St. Louis, MO

My name is Joey Henderson. This is my testimony in support of the Special Services project at Washington University called Student Educational Service (SES).

My mother, a single parent, raised a family of eight children. In 1975, when I was 12 years old, she died suddenly of heart failure. Our family was divided among relatives who lived nearby. My twin brother and I moved to Ashdown, Arkansas to live with our gradmother who was already guardian of a younger cousin. My grandmother's only source of income was the wages she received as a domestic worker.

I attended Ashdown's public school and was selected to attend Arkansas' Governor's school for the Gifted and Talented. I entered the fine arts program and was exposed to information about Washington Univeristy. I expected to continue my education after high school at a community college or perhaps a public Univeristy in Arkansas, but did not seriously consider a private school of Washington University's caliber. One of my teachers who was determined to help me reach my full potential, encouraged me to apply to Washington University. I was very excited when I was admitted to its School of Fine Arts with a substantial financial aids package that would make it possible for me to atttend.

The summer before I was to begin college I attended the summer program offered by the University's Special Services department. This program was helpful in several ways. It allowed me to get comfortable in my new surroundings and become familiar with important University recources—the financial aids office, the library, and the health care service. I earned 4 credits and improved by study skills.

The summer program also helped me to realize how under-prepared I was to do the amount of reading required at the university level. When I returned in the fall, I took advantage of the SES Learning Center by enrolling in their speed reading course and attending workshops in note taking and time management. My work at the Learning Center taught me to make conscious decisions about how I would study and thus helped me to improve my grades. I continued to be involved with SES, working one summer as an aid to one of the instructors in the Learning Center. Even as a senior I went to SES to make use of such services as tutoring.

The cultural activities sponsored by SES have stimulated my interests in other areas. While in high school I choregographed dances for stage productions, but never considered the possibility of making a living in this way. However, when I saw the Dance Theatre of Harlem on an SES sponsored outing, I found role models who inspired me to pursue my interest in dance. I have since performed in three major productions on campus.

On May 17, 1985 I graduated with a Bachelor's degree in Fine Arts. I am applying for an internship with a local public relations firm, an opportunity I learned about through an SES counselor. In the future, I hope to become self-employed as an artist.

I feel very fortunate, Mr. Chairman, to have had the opportunity to come to Washington University, but without the support of SES I might not have stayed to develop my talents and realize my potential. Because I was poor, it was easy for me to limit my vision of the future. I only needed an opportuntiy to break out. SES provided me with such an opportunity.

Mr. Ashford. I also saw this as maybe a good opportunity to kind of connect with what my colleagues here are talking about and what I am supposed to be about. I feel that certainly we now in TRIO are not only concerned with what happens to the people or the students prior to their postsecondary graduation, but we are concerned with what happens after they leave college.

I have to stick mainly to what happens to young people within the postsecondary level, since that has been the area that I have worked in, although I have had a lot of contact being president of the Missouri-Kansas-Nebraska chapter.

We have actually 14 TRIO programs within Missouri. There are 13 listed generally, but there is one that is also located in Illinois. That is the Educational Opportunity Center. We mostly hear about the one in Kansas City, but I think that the one that is in St. Louis as well as in Illinois is doing any outstanding job.

In my testimony, I also have connected Congressman Coleman's area in that there is testimony presented by Linda Taroff. I do not mention her name, but she is a director of an Upward Bound Program that is located at Emporia State, and she identified students who have come out of St. Joe, MO.

What happens let's say to students who come into a college like Washington University, and we are talking about disadvantaged students based on the Government criteria. That would be economic, or it could be first college generation, or it could be handicapped. The Government says that we have to have a certain percent or ratio of students who meet both criteria. Years ago, it was the educational background of the student.

Well, in most instances, they are coming from intercity schools, and they are coming to an institution that has very high standards, and has definite requirements. These students are not able if left alone to complete the curriculum or the chosen curriculum.

We also have a large number of students coming here who are interested in the sciences. There is a joke around here that we have a lot of people who indicate that they want to be doctors, and then there are still a large number who are closet premeds.

So we have people who are coming here trying to get the best education possible, and Washington University has a fine reputation. The question was raised earlier about why would a person want to come here as compared to a State institution. They come because they want the best and the finest opportunity, because we are living in a very competitive environment, so the same thing happens here.

What we try to do is provide for that support system, and the basis for that support system is a counseling component. That is the core staff people would be individuals who would be involved in helping the student, plan on helping the student to figure out where his or her strengths would be, and helping them come up with some realistic career plans, or I should say educational plans.

Besides that, we have a Tutorial Program. The Tutorial Program takes two major forms. One would be individual tutoring, and the other would be academic workshops. The academic workshops would be in areas that are very problematic for a large number of people, and that would be the sciences and the math.

Besides that, we have the learning center. And within the learning center, we have some of the basic skills that are being handled. That would be writing and reading. We even have a rapid reading course that helps students to cover the large volumes of material that they are required to deal with.

Our of that also, that learning center I am talking about, we have a staff that helps them get into adopting good study habits. So we are talking about study skills.

We as counselors then are providing these services on a regular basis, and then we are trying to help them move from this institution into a viable either occupation or into graduate programs in graduate schools.

We have done some studies in terms of examining those students who have participated in our program and those that have not. And we found that over 70 percent of our participants will graduate, and this is consistent with the university that indicates that the average student that comes here completes the curriculum.

We have a summer program that starts with the prefreshmen, and a limited number of people are participating in that program. And Joey Henderson is the person who was going to testify, and he was first introduced to me in our summer program. And the art school had accepted him, and he was very interesting.

The people who had admitted him were excited about him and the type of person that he seemed to be. He came from a family of eight children. His mother had died when he was age 12. And he and his twin went to live with the grandmother, while the other children were spread among other family members.

There were a lot of things about him that I did not know until he started talking about him, And he was a pretty proud young man, who did not have any of the resources or the wherewithal to come to a school like this one. I think that there was an art instructor who strongly suggested that he go ahead and apply.

And when he applied and when we found out something about him and his needs, we inducted him more or less to our program. We invited him for the summer, and he was hooked. He indicates in his testimony that he thought that he was prepared, but he found that he needed to do a lot of work in the area of study skills and reading. He became so involved in some of those activities that he became one of the monitors in the reading lab or in our reading center.

Joey made me very proud when he graduated just a few weeks ago as the president of the senior class, and also received an award from the chancellor, the Ethan Sheffley Award, which is for service and for scholarship. He also received an internship with one of the major corporations. I should also add that he is getting married to a young lady who will be going on to graduate school and taking advantage of a graduate fellowship or scholarship.

Joey is just one example of the many students that come in to this institution and institutions like Washington University or even public institutions. I strongly urge and I indicate in my written document that the Congress will reappropriate funds for TRIO. I think that without TRIO that many young people would not have the opportunity for an education, and also for viable employment in our society. Thank you.

Mr. FORD. One question, Mr. Ashford.

How many TRIO programs do you have here?

Mr. ASHFORD. In this particular institution?

Mr. FORD. Yes.

Mr. ASHFORD. We only have one. We have a Special Service Program at Washington.

Mr. FORD. Do any of the Missouri institutions have three or more?

Mr. ASHFORD. St. Louis University has two. And that is an Upward Bound. And more recently, they have obtained a Special Services Program.

Mr. FORD. What these gentlemen described a little while ago was an Upward Bound for graduate students.

Mr. ASHFORD. You are saying that that is what they described a few minutes ago?

Mr. **Ford**. That is one of the concepts that they had. That they described an Upward Bound for graduate students, the same principle.

Mr. **Ashford**. I would agree, I would agree 100 percent. And as you look even at the EOC centers and the kinds of things that they are trying to do. What happens is that we do not have a tracking from one of these programs to another. But it would be nice that we could take from Talent Search to Upward Bound, and maybe to Special Services, and then to a GPOP Program.

Mr. **Ford**. Thank you. Tom.

Mr. **Coleman**. I have no questions. Just to try to ameliorate Dr. Wilson's concern about H.R. 2199. I think that he has made some good suggestions, that if we could work it out languagewise, would be good additions.

I thank Dr. Magrath for coming. He is relatively new to the State, and has embarked on a new challenge in his career after serving very well at the University of Minnesota, we are delighted to have him in Missouri.

Mr. **Ford**. He is not new to the committee. He has been hustling us for years. Mr. Tauke.

Mr. **Tauke**. Dr. Magrath, several times this morning the issue of the size of debts that students have when they emerge from graduate school has been discussed.

Can you tell me if there is any statistical information in the system that you represent relating to the average size of indebtedness for those who emerge from the system.

Mr. **Magrath**. I do not have it at my fingertips. But we do have it, I am confident. And I think that that is a very pertinent question, Mr. Tauke, and I will get it to you as well as to the chairman of the committee. We are all obviously concerned about the size of the indebtedness and the loan obligation that students and in this case now graduate students carry.

I would hope that as we look at the authorization that ways might be found to examine consolidation or extended periods of payment. Because I personally feel that reality being what it is, we are going to have to rely very substantially on loans. And I would personally favor an increase in loan limits, but there is a problem. And I would hope that we could figure out extended payment plans and consolidations. I will provide that information to you.

Mr. **Tauke**. Dr. Wilson, do you have any information?

Mr. **Wilson**. Not today. But I, too, will try to provide it. I know anecdotally of several who come close to the $25,000. When the last increment was suggested, in many cases I have tried to counsel a number against not doing it.

Mr. **Magrath**. I know anecdotally of some with more.

Mr. **Wilson**. Well, that happens as well. And as I mentioned, it is a very, very serious problem.

Mr. **Tauke**. Do either of you have in your institutions any kind of counseling for graduate students on these financial matters?

Mr. **Wilson**. Our financial aid coordinator in effect also serves as a counselor, very much so. She sits down with everyone and goes over circumstances, and in particular discusses what the implications are.

Mr. **Tauke**. What will happen down the road?

Mr. **Magrath**. Essentially, the same answer.

Mr. **Tauke**. Do you think that there is any merit to the notion of perhaps some kind of service in return for graduate assistance? Now in a sense, we have that with the assistantship programs and so on through work-study. But one of the things that came to mind during the earlier discussion of the GI Program was that the GI Program was in a sense a return by the Government for a service earlier performed.

Do you think that it would be helpful for us to explore some kind of program where we would encourage people to take a year or two after they graduate from college to perform certain services, and in turn would receive grants or other benefits for graduate education?

Mr. **Magrath**. Could I respond to that?

Mr. **Tauke**. Sure.

Mr. **Magrath**. I would like to separate it in terms of my personal view now in terms of undergraduate students and graduate students.

Mr. **Tauke**. I am separating it too.

Mr. **Magrath**. Frank Newman, who served among other things as president of the University of Rhode Island, and is now the president of the educational commission of the States is working on such a proposal that might be submitted at some point. I do not know what the form may be, but this might very well be one of them.

And I personally think that the idea probably like all good ideas needs to be refined. But I think that there is merit to the notion of some kind of a public service tie-in and undergraduate assistance for at least some categories of students. I think that it is an idea worth pursuing.

I would not personally think that it would be germane in terms of graduate students, because I would argue that there is a very direct national benefit that accrues to the Nation through supporting graduate education. For undergraduate education, I think that it is an idea worth pursuing.

Mr. **Tauke**. Thank you, Mr. Chairman.

Mr. **Ford**. Do you still have the medical school fellowships for people who agree to a period of time with the U.S. Public Health Service? That does not come from our committee.

Mr. **Magrath**. Mr. Chairman, I think so.

Mr. **Tauke**. We just approved it again in the Energy and Commerce Committee. But one of the difficulties is that you do not know for certain if the specialty that you have or the area in which you will work will be qualifying until after you graduate. So it is something that you can hope that you will qualify in after you are finished, but you are not really certain.

I think that there is a need to have something up front, so that people know ahead of time that they can get this kind of assistance for health professionals as well as for others.

Mr. **Coleman**. Mr. Wilson, do you find that your graduate students are full-time students, or do you find that somehow they are incorporating their graduate career with a full-time job?

Mr. **Wilson**. For doctoral students especially in the intensive course phase, it is very, very difficult to do it parttime. It just stretches over too long of a period of time. Of course, it will vary from discipline to discipline. In almost every discipline, there is one part of the research dissertation phase which just requires an enormous amount of energy. It is very hard to do it on a parttime basis.

After what we usually describe as the hump where some results are apparent and then things are beginning to fall into place, then indeed toward the tail end of writing a dissertation that it can be done on a parttime basis. Now I cannot think of more than a couple of students who ever achieved a Ph.D. doing it parttime throughout. A masters, that is a different story. It can be done easily.

Mr. Coleman. Thank you.

Mr. Ford. Thank you very much, gentleman.

The final panel, we are going to do a little combining here. Dr. Jack Kinder could not be here. He is the Chairman of the President's Advisory Council on Continuing Education and the executive director of the Missouri State Teacher's Association. He has submitted testimony for the record. And without objection, that will be inserted at this point in the record.

[Prepared statement of Jack A. Kinder follows:]

Prepared Statement of Jack A. Kinder, Chairman, National Advisory Council on Continuing Education and Executive Secretary, Missouri State Teachers Association

My name is Jack A. Kinder. I am Executive Secretary of the Missouri State Teachers Association. This year, I also have the honor of serving as chairman of the National Advisory Council on Continuing Education, a presidentially appointed body established by Congress in title I of the Higher Education Act.

Five hundred years ago, man sailed out to sea. He was going somewhere, but didn't know to how to get there. He got to a place that was actually several thousand miles from where he thought he was. When he returned home, he reported on where he had been, when in fact he didn't know where he had been.

Twenty years ago this year, Congress authorized the higher Education Act. This year, Congress will have to reauthorize it. With all due respect to Christopher Columbus, I hope we have a better sense of where we have been, what we have done, and where we are going.

To look at the Act as it was, and to look at it again today, is to look at two essentially different views of the world of postsecondary education. Much has changed.

I want to draw your attention to one of those changes: the emergence of adults and older learners as the fastest growing segment of our postsecondary enrollments, a fact of our educational life that is consistent with what is now reported by the Bureau of the Census—that the median age of all Americans has now reached thirty-one years.

There are both facts, yes, but sometimes I think that many of us in the postsecondary community have an emotionally difficult time handling them. We don't always know what to do with non-traditional learners. After all, most of our colleges and universities are designed with other kinds of students in mind.

The problem I have with the Higher Education Act is this: How can it be reauthorized without some better recognition of the role of adults on our campuses? I am chiefly interested in title I, because that is the one title of the Act that legislators and policy makers have historically reserved for dealing with adult postsecondary education issues.

The problem I have with the Higher Education Act is this: How can it be reauthorized without some better recognition of the role of adults on our campuses? I am chiefly interested in title I, because that is the one title of the Act that legislators and policy makers have historically reserved for dealing with adult postsecondary education issues.

Title I is not funded. It has not been funded since 1981. Even more importantly, the provisions that were introduced by the Education Amendments of 1980 to help adults in title IV, the student assistance programs, have not worked well. Title IV monies have been used, but not for the purposes originally conceived by Congress, insofar as adults are concerned.

That is one set of problems. Another set of problems has been the changes in the Nation's economy, the emergence of new technologies, and the dislocation of the workforce and the relocation of businesses, factories, sometimes whole industries, and other places where Americans work. Add to these my earlier reference to the changes in American demography, including the demographics of postsecondary enrollments, and you end up with a challenging array of circumstances.

I am sure, Mr. Ford and Mr. Coleman, that you have heard much of this before. Some of this falls on the Federal plate, a lot of it falls elsewhere.

On behalf of my colleagues on the National Advisory Council on Continuing Education, I want to offer a modest solution. It is an amendment to substantially rewrite title I of the Act and to address directly the continuing education issues that mean so much to adult learners.

Our proposal recognizes the importance of adult learning generally, but the proposal we are offering attempts to focus this issue by singling out for special attention the educational programs that stress employment-related issues.

Continuing education means many things to many people. Continuing education tends to be more individualized, more tailored, than traditional postsecondary education; it occurs at different times, sometimes in unusual places. But the important thing to remember is that the pressures to provide continuing education are coming directly from the consumers. Much of this is voluntary on their part, but much of it is also required by professional groups, by employers, and by individuals themselves who see continuing education as a necessary step to get a job, keep a job, or move upwards or sideways in their chosen careers.

Let me list briefly what the Council is recommending in its new title I proposal. The basic elements are these:

1. We are proposing a direct grant to select institutions to encourage and expand their involvement and commitment to serve adults.
2. We are proposing a modest pilot program requiring limited federal funds, that would focus on seed money to develop demonstration programs leading to replication by other institutions, either separately or through consortial arrangements.
3. We stress the importance of the application of new technologies to meeting the needs of new learners, as well as the collection, dissemination and transfer of information regarding successful ventures.
4. We stress the need for institutions to help other learners who are in need, in particular the extraordinary number of women who are simultaneously entering or returning to continuing education and the workforce.
5. We seek to provide an expanded role for the private sector in institutional continuing education, one that extends beyond a modest "advisory" role and includes an active involvement with institutions in planning, implementing, monitoring and assessing the effectiveness of continuing education, especially as it relates to employment issues and the preparation of the American workforce.
6. We encourage institutional grantees to coordinate their continuing education activities with existing state priorities.
7. We support the separate development of recognized centers of postsecondary continuing education research and demonstration activities, including specialized efforts to develop pilot projects for exemplary staff development activities.
8. And finally, we desire to accomplish two important objectives, one which we can state directly, which is to recommend that the Federal Government and your committee state clearly in the Higher Education Act that there shall be unequivocal Federal policies and programs in support of continuing education. The Council's second objective is more oblique but no less intensely felt, and that is this: The desire to see postsecondary institutions of all kinds reassess their institutional policies, programs and resources for continuing education and for adult learners.

Perhaps a reformulated title I can do all of this, perhaps not; but what the Council is suggesting for title I badly needs doing. Colleges and universities simply must do more to direct their energies and resources to helping adults learn.

On April 30, the Council responded to your earlier invitation and resubmitted initial recommendations on the reauthorization of the Higher Education Act. In that submission, we provided more detail on our title I proposal. We also made a number of suggestions regarding the effectiveness of title IV's student assistance programs in reaching adult learners and went on public record to endorse the exemplary work of the Fund for the Improvement of Postsecondary Education.

I want to add one final statement. I have served on the National Advisory Council on Continuing Education since 1981. I welcomed this appointment because it gave me and other citizens who may not have a direct channel to legislators and policy makers in Washington, an opportunity to participate in an activity that could make a difference in some federal education policies. My relationship with the Council, its members and staff, has been an exceptionally productive one. I encourage you to consider the Council's reauthorization also and to encourage and make better use of similar bodies under your committee's jurisdiction.

I thank you for the opportunity to submit this statement for the record. I am sorry I could not join you today in St. Louis and participate in your hearing.

The Council plans to submit further statements to your committee during the course of the reauthorization hearing. If, in the meantime, you wish additional information, I would be pleased to respond on behalf of my colleages on the Council.

Dr. Robert Spencer, associate vice president and director of development, Webster University; Dr. Gene L. Schwilck, president of the Danforth Foundation; and Mr. Wayne Walker, divisional director of the volunteer services and external resources, St. Louis public schools.

Dr. Spencer, would you like to start it off.

Mr. SPENCER. I would say to Dean Wilson, and I guess he has left, that I am somebody who has just completed his Ph.D. on an entirely part-time basis at Washington University.

You are one of two.

Mr. SPENCER. I am one of two, and it took 12 years.

Mr. FORD. I have been participating for years in a Ph.D. program at Wayne University in educational administration. And they are all parttime, they are all teachers. So he has got a unique situation. Go ahead.

[Prepared statement of Dr. Robert A. Spencer follows:]

PREPARED STATEMENT OF DR. ROBERT A. SPENCER, ASSOCIATE VICE PRESIDENT AND DIRECTOR OF DEVELOPMENT, WEBSTER UNIVERSITY, ST. LOUIS, MO

On behalf of Webster University's Board, Administration and Faculty I welcome the opportunity to comment on the Department of Education's Title III Program. My remarks—following your suggestion—are divided into two parts. Part I addresses improvements that we believe would strengthen the Title III Program in the future. Part II describes the important role Title III funds have played in moving Webster University to greater self-sufficiency.

I. LEGISLATIVE IMPROVEMENTS TO THE TITLE III PROGRAM

In suggesting future directions for Title III I need first to catalog a number of issues arising from the University's experience with the program between 1980 and 1985.

There is a longstanding conflict within Title III between the program as "welfare" for marginal institutions which need it for survival and as "seed money" for those that are stronger. Because Webster University falls into the latter category, we naturally take the biased position that the "seed money" concept is a better investment of federal dollars. I refer members of the committee to a February 22, 1984 article in the Chronicle of Higher Education entitled "Some At Weaker Colleges View U.S. Aid as Rewarding Mediocrity." The article describes the findings of what has come to be known as the Research Triangle report on Title III. The article and the report address the welfare-seed money conflict of which I speak. The lack of clarity as to purpose arising from this conflict manifests itself on both the legislative and administrative sides. Legislatively, this conflict is manifest in eligibility criteria and appropriation set asides. Administratively this lack of clarity appears to result in inconsistent policies and procedures by Title III staff.

In theory a flexible program that allows institutions to set their own developmental priorities is desirable. However, the looser the guidelines, the greater the potential for arbitrariness and disagreement between proposal readers, Title III staff, Department of Education fiscal officers, and college administrators. Webster has a long list of such disagreements many of which have been time-consuming and fruitless.

The revisions in Title III that went into effect in 1982 were an improvement in placing more emphasis on integrated activities closely tied to the institution's long-range plan. However, at the same time the Department was asking institutions to plan over a longer time span, they stopped making multi-year grants and went to an annual cycle, greatly increasing the uncertainly about multi-year activities. We support the concept of an integrated model of institutional development tied to the long-range plan but find the multi-year grant approach more consistent with the concept than the annual approach.

We experienced damaging reductions in funding amounts and delays in obtaining approval of plans of operation. This may be our last year on a grant in which we have received only $994,314 (just half) of $1,994,645 requested in activities in the original plan that were approved for funding. Even more specifically, one year's plan was finally approved on September 13 on a project that began the previous October 1. Moreover, we have not had a site visit by a department staff member since we started receiving Title III funds in 1980. One of the readers of our 1982 proposal said:

"The strategies and times for accomplishing each activity are clearly stated. Certainly if funded to the total amount requested, these things could be done as described."

We are at a loss to articulate legislative solutions that would have prevented such problems from arising. It may be that the whole concept of federally funded institutional development projects, however well-intentioned, is unworkable.

Title III embodies a theory of organizational change through formulation of measurable objectives that may be out of harmony with institutional style, causing misunderstanding and friction in Washington and at the institution. It also embodies unrealistic expectations as to the time required for achieving full self-sufficiency. As our External Evaluator said in reviewing 1983–84 accomplishments,

"It takes much longer to truly develop a new thrust than is presently recognized by federal officials and the associated legislation . . . . real development and institutional change programs take current than current federal funding cycles."

It may be unrealistic to create legislatively a system that requires a woefuly limited number of project officers in Washington to oversee effectively a bewildering variety of development activities on numerous campuses across the country.

CONCLUSION

For these and other reasons we strongly recommend that Title III accelerate the current trend of getting out of the business of overseeing complex developmental projects, and instead emphasize endowment grants to stimulate long-term increases in institutions' fiscal stability. To date there has not been enough money in the endowment program, however, to ease the transition for institutions like ours who have received only half of the support we felt we had earned by virtue of a development plan that was judged of high quality by field readers, and that has been very effectively put into operation in the view of our external evaluators. The endowment grant addresses the welfare-seed money conflict, problems of arbitrariness and disagreement, and problems of multi-year vs. annual funding cycles. It would substantially reduce program administration costs in Washington. It supports institutions with widely varying theories of organizational change. Most importantly, this approach overcomes the knotty problem of trying to define when a given institution has achieved self-sufficiency.

II. ROLE OF TITLE III FUNDS IN MOVING WEBSTER UNIVERSITY TO GREATER SELF-SUFFICIENCY

I suggested above that Webster University was in a position to use Title III funds as "seed money" rather than "welfare." Stated differently, we were not in a crisis situation where funds of this sort were required to keep our head above water; but we were eligible in 1980 and again in 1982, the two years in which we submitted and were awarded Title III grants. I should emphasize that we have followed an integrated model of institutional development that has maximized the long term impact of Title III funds and has created many spin-off benefits. That is to say, Title III projects have been organically related to existing programs and staff. The institution has concentrated its developmental activities in three primary areas: academic programs, student services, and funds and administrative management.

Academic developments include

Establishment of an office of corporate relations to link programs in business and management to St. Louis area corporations;

Development of new programs in health careers including degree completion opportunities for nurses and programs in health services management;

Establishment of an international studies program which provides new educational opportunities both on the home campus and at our three study centers in Europe;

Development of new articulation agreements with Community Colleges facilitating transfer of credit to upper division programs;

Establishment of a new joint Bachelor of Arts and Master of Arts degree program through which students (especially Community College transfers) may earn both degrees in closely related fields in less time;

And finally, the establishment of a mircocomputer center serving all academic departments of the University.

Student service developments include

Establishment of recruitment research capability and a new Assessment and Support Center which aids students in pinpointing areas of strength and weakness and supports their efforts to compensate for deficiencies.

Developments in funds and administrative management include

Development of a comprehensive computer-based management information system which now supports every aspect of the University's administration;

Establishment of a systematic long-range planning system with important technological supports, integration of institutional research, program developments and marketing functions into a cohesive whole;

Development of a sophisticated cost accounting system which allows the university to apply indirect costs in a meaningful way;

And refinement of methods by which the university assesses teaching and promotes faculty development.

CONCLUSION

In spite of our continuing disagreements with the Department of Education on appropriate time frame, delays in funding approvals, and philosophical differences regarding organizational change, Webster University has made productive use of its Title III seed money. Because the institution had demonstrable strengths at the time it was awarded Title III funds, we have been in a better position to absorb programs, main-stream them sooner, and take on staff once programs were operational and soft money used up. We have, as a result of Title III, new academic programs in areas where we can compete more successfully in the higher education market. We have richer student services which help us retain the students we have already recruited. And we have much more streamlined management supports which allow us to run the institution more efficiently and expedtiously. We have benefited greatly by the existence of Title III. For that we are grateful. We wish to emphasize, however, that the intricacies of compliance with what we believe to be excessively detailed regulations siphoned potential developmental energies into fighting red tape. Whatever congress can do to promote educational entrepreneurship through Title III without excessive regulatory burden, consistent with the appropriate demands of accountability, would be greatly appreciated by Webster University and, I am sure, all of post-secondary education.

STATEMENT OF ROBERT A. SPENCER, ASSOCIATE VICE PRESIDENT AND DIRECTOR OF DEVELOPMENT, WEBSTER UNIVERSITY

Mr. Spencer. Mr. Chairman and members of Congress, thank you for coming to Missouri, and thank you for hearing Webster University's position regarding title III. I would also like to say that my colleague, Dr. Winslow Rogers, who manages our Title III Program is here. If he has better answers perhaps to the detail, then I will call on him if need be.

Following your suggestions, I have divided my comments into two parts, one regarding legislative improvements that we feel might be warranted in title III, and the second part describing the role that title III has had in helping Webster University's self-sufficiency.

First regarding legislative improvements, I have cataloged in my written testimony a number of problems that the university has experienced. In a nutshell, they include problems arising from what we believe to be a lack of clarity regarding the real purpose of title III.

That is, is it a seed money program or is it an Institutional Welfare Program. Second, we found problems of arbitrariness by the Department of Education staff in evaluating the institutional development plans. We experienced problems arising from an annual versus multiyear funding cycle. And we experienced long delays in receiving annual funding approval caused at least in part by a lack of title III staff in Washington.

It may be unrealistic to create legislatively a system that requires a woefully limited number of project officers in Washington to oversee effectively a bewildering variety of developmental activities on numerous campuses across the country.

For these and other reasons, we strongly recommend that title III accelerate the current trend of getting out of the business of overseeing complex developmental projects, and instead emphasizing endowment grants to stimulate long-term increases in an institution's fiscal stability.

To date, there has not been enough money in the endowment program, however, to ease the transition for institutions like ours who have received only half of the support that we felt that we had earned by virtue of a development plan that was judged of high quality by field readers, and that has been very effectively put into operation in view of external evaluators.

The endowment addresses the welfare seed money conflict, problems of arbitrariness and disagreement, and problems of multiyear versus annual funding cycles. It would substantially reduce program administration costs in Washington, we believe. It supports institutions with widely varying theories of organizational change, and most importantly this approach overcomes the knotty problem of trying to define when a given institution has achieved self-sufficiency.

Second, regarding the role of title III funds in moving Webster University to greater self-sufficiency, I suggest in my written testimony that Webster has been in a position to use title III funds primarily as seed money. We are not in a crisis situation where funds of this sort were required to keep our head above water.

We have followed an integrated model of institutional development that has maximized long-term impact of title III funds, and has created many spinoff benefits. That is to say that title III projects have been organically related to existing programs and staff.

The institution has concentrated its developmental activities in three primary areas: Academic programs, student services, and funds for administrative development.

In conclusion, we think that in spite of our continuing disagreements at times with the Department of Education on appropriate timeframes, delays in funding approval, and philosophical differences regarding organizational change, that Webster University has made productive use of its title III seed money.

Because the institution had demonstrative strengths at the time that it was awarded title III funds, we have been in a better position to absorb programs, mainstream them sooner, and take on staff once programs were operational and soft money used up. We have as a result of title III new academic programs in areas where we can compete more successfully in the higher education market.

We have richer student services which help us retain the students that we have already recruited, and we have much more streamlined management supports which allow us to run the institution more efficiently and expeditiously. We have benefited greatly by the existence of title III.

But we wish to emphasize, however, that the intricacies of compliance with what we believe to be excessively detailed regulations siphon potential developmental energies in fighting redtape. Whatever Congress can do to promote educational entrepreneurship through title III without excessive regulatory business consistent with appropriate demands of accountability would be greatly appreciated by Webster and I am sure all postsecondary education.

Mr. COLEMAN. Thank you, Mr. Spencer. We will now hear from Mr. Walker.

[Prepared statement of J. Wayne Walker follows:]

PREPARED STATEMENT OF J. WAYNE WALKER, DIVISIONAL DIRECTOR, VOLUNTEER SERVICES AND EXTERNAL RESOURCES, ST. LOUIS PUBLIC SCHOOLS

The School Partnership Program is an agency of the St. Louis Public Schools. Its mission is to assist teachers at all grade levels to develop partnerships with community resources for the purpose of improving instruction. For the past five years, the Partnership Program has worked with businesses of every size, with universities and colleges, cultural institutions, public and federal agencies, professional organizations—in short, any group that desires to provide volunteers for instructional support or to collaborate with the schools in some other way to provide the best instruction possible. In some communities these collaborative efforts are known as "Adopt-a-School" programs. I hasten to add that we are not the only unit in the District that seeks the assistance of the community. The Partnership Program does not solicit financial assistance for the schools from the business community, nor does it deal directly with youth employment opportunities. The focus of our program is to provide instructional resources for the teacher and students in the classroom.

In 84-85, we had partnerships with more than one hundred sponsors. Twenty-three thousand students from 120 schools participated in 971 programs. The overwhelming majority of these programs consisted of several sessions conducted over a period of weeks or months.

When compared to other programs nationally, the St. Louis Partnership Program is unique in the way it works with teachers and students from the county districts and their counterparts in the city's school system. Classrooms from city and county join together to design and to participate in partnerships using these various community resources. In 1984-85, 13,000 city and county students participated in 255 programs.

The development of partnerships with universities and colleges in St. Louis has grown more slowly than the partnerships with other sectors of the community. This is surprising in view of the fact that university and pre-collegiate educators have a natural alliance. I joined the Partnership Program in 1980, after nine years as a member of the University of Michigan's faculty. With this background, I was not surprised at the obstacles we encountered. The decentralized administration of most universities and the independent status of the faculty make the development and coordination of programs difficult. Overall, the university or college does not do much to encourage its faculty to participate in these volunteer efforts. When collaboration is discussed, it is usually in terms of a client relationship. Faculty can not expect that their community service will be of significance in any tenure or promotion decisions.

Of late, I have read proposals that have come from universities that are intended to assist the schools, but too often they reflect the narrow self-interest of a particular department and have as their primary purpose the funding of a position or program and only secondarily, the improvement of pre-collegiate education. Even worse, these proposals reflect a certain naivete or ignorance of how schools operate. It is imperative, therefore, that those who want to assist the schools visit them and spend time in the classroom with teachers and students. In spite of these obstacles, however, there are examples of successful local school-college collaboration. They have grown steadily and often without fanfare. I daresay that many Deans and other administrators are unaware of their existence. I am optimistic that this cooperation will continue to grow and to improve in quality.

Collaboration can take many forms. These include the traditional forms of teacher training and staff development. Other types include faculty volunteers in the classroom, cooperative efforts in curriculum development, accelerated courses for students, students serving as volunteers or interns, collaboration in the development of funding proposals, and special projects such as the Humanist-in-the School program that incorporates several types of cooperation.

In St. Louis, we have had projects with most of the major universities and colleges in the area. I will describe a few that focus on classroom instructional programs. Such of these involve joint funding and others represent volunteer efforts. One of the most successful has been the opening of Washington University's Tyson Research Center to elementary and secondary students. Each participating classroom has the opportunity to spend three half-days on a field experience which the teacher selects to reinforce classroom instruction at the school site. Dr. Robert Lee of Washington University's School of Medicine has developed a program which allows high school students to spend four Saturday mornings working under the supervision of medical students in the human anatomy labs. The Allied School of Health at St. Louis University has opened its medical laboratories to students at the nearby Health Careers magnet school.

We have collaborated also with the University of Missouri-St. Louis in securing funds from the Missouri Committee for the Humanities for a program in archaeology for elementary and secondary students who visit the University's laboratories and participate in a simulated dig. Other programs have involved Washington University's Romance Languages Department, which developed our first city-county program, the Department of Earth and Planetary Sciences and the Black Studies Department which worked with students from four high schools. This past winter students from the city and county had the opportunity to work with David Nash, a sculptor from the United Kingdom, with the assistance of the University's School of Fine Arts. Students created their own sculptures which were then critiqued by the artist. These examples are but a few of the successful partnership programs between the schools and local universities and colleges.

In summary, I would like to recall for you five basic principles for successful collaboration which Gene Maeroff listed in the 1983 Carnegie Foundation Special Report titled "School and College: Partnerships in Education."

"First, to achieve effective school-college cooperation, educators at both levels must agree that they, indeed, have common problems.

"Second, . . . the traditional academic 'pecking order' must be overcome.

"Third, . . . cooperative projects must be sharply focused.

"Fourth, it seems quite clear that if school-college cooperation is to be successful, those who participate must get recognition.

"The fifth commandment is equally important: For school-college cooperation to work, it must focus on action—not machinery."

If we follow these principles and secure the commitment of the universities' leaders, the future of university/college-school collaboration will be much more promising.

STATEMENT OF J. WAYNE WALKER, DIVISIONAL DIRECTOR, VOLUNTEER SERVICES AND EXTERNAL RESOURCES, ST. LOUIS PUBLIC SCHOOLS

Mr. **WALKER.** Members of the committee, my name is Wayne Walker, and I am director of volunteer services and external resources in the St. Louis public schools, and I am also director of its School Partnership Program. It is my responsbility to develop partnerships for teachers and students in the St. Louis public schools with a wide variety of resources.

I work with businesses, universities and colleges, cultural institutions, professional organizations, and public and Federal agencies. We also work with county districts, and I think that our program is unique in that respect, in that we develop partnerships in which teachers from the city and teachers from the county work together to use some of these community resources in partnerships.

I do not solicit financial assistance from any of these groups. Rather I recruit volunteers who will agree to work in the classroom with students and teachers in invidually tailored instructional programs.

The development of partnerships with universities in the St. Louis area has developed more slowly than it has with any of the other groups. Having served on the faculty of the University of Michigan for 9 years, I am not surprised at this. When I started this effort in 1980, I anticipated that it would be difficult. In part, because the administration of universities is very decentralized, and the faculty tends to be very independent, and it is difficult to both recruit them and to coordinate the programs.

And I think, too, that the universities and colleges in general do not do very much to encourage their faculty to participate in these volunteer effort. When collaboration is discussed, it is usually in the context of a client relationship. And I think that very few faculty can expect that their community service will be significant in any kind of tenure promotion decisions.

I have read of late proposals that have come from the universities and colleges with the intention of assisting teachers either in training or retraining and with students. And too often those proposals reflect a rather narrow self-interest on the part of the universities and colleges to either fund a position or to fund a program. I suggest that they reflect a certain naivete or even ignorance of how schools operate.

So I think that it is imperative that those who want to assist schools spend some time with teachers, and in the classroom, and with students. And I think that that is one of the things that we can accomplish in developing partnerships.

And I have given in my written testimony examples of some of those. And I think that if you look at them, that they might be considered a kind of band-aid approach, too fragmented, and too narrow. And there is some justification I think in that kind of judgment.

But I think that it is important to look at them in the context of a much more extended process of bringing the university, faculty, and teachers, and students together. And put in that context, I think that it plays an important role in the new strategy which Dr. Schwilck suggests should be explored.

Traditionally, we have thought of teacher training in the classroom with courses for credit. And I think that it is important now to look to new ways of staff development. And I think that some of the informal ways of staff development that have developed as a result of our partnerships show that it can be accomplished and with great benefits and to great effect.

So I would suggest that we look for ways to develop local means of corroboration. In some cases, funding would be needed for this. There is a limit as to what you ask of university faculty to do as volunteers. I think that it will probably be a combination of volunteer effort as well as funding, whether it be for stipends for graduate students, for interns, or for faculty to extend their involvement and to come into the schools.

But I am very confident based on my experience in the last 5 years that these kinds of contacts between the university faculty and teachers and students will yield great benefits to us in improving precollegiate education.

Thank you.

Mr. Coleman. Thank you. And the president of the Danforth Foundation, Dr. Schwilck.

[Prepared statement of Gene L. Schwilck follows:]

Prepared Statement of Gene L. Schwilck, President, the Danforth Foundation, St. Louis, MO

My name is Gene Schwilck, President of the Danforth Foundation, and formerly a school administrator—both as a high school principal and a superintendent of schools. I am pleased to be invited by members of the Subcommittee on Post Secondary Education to speak to the importance of one aspect of the proposed reauthorization of The Higher Education Act, namely, the partnership of faculty of colleges and universities with teachers in elementary and secondary schools.

American elementary and secondary education is beset with problems—issues of financing, questions of priorities, concerns for quality, and doubts about equity. Prominent in the minds of citizens is the problem of attracting and holding in the teaching profession persons knowledgeable in their subject matter area who are skilled in pedagogy and who care for students. Surveys of superintendents and school board members reveal that they are desperately concerned about the qualifications of teachers and are seeking effective ways to assist mid-career teachers retain their enthusiasm for teaching and to engage in worthwhile professional development in the content areas of their disciplines.

The plea of this statement is for the Subcommittee on Post Secondary Education to assign modest funds to Title V to encourage college and university faculty to engage in new and creative partnerships to assist in the professional growth of elementary and secondary teachers.

In brief, there are two million elementary and secondary school teachers. They have an average age of 45. This means that the initial preparation of the typical teacher, both in content and pedagogy, was more than twenty years ago. Many will teach another two decades. The typical 45-year-old teacher has few options for stimulation and professional growth. All day they are segregated with young students. They are free for academic work at a university only in the evenings or summer—times on the university calendar that usually do not provide the best selection of academic offerings. Yet it is at colleges and universities and with college and university faculty that teachers have the greatest opportunity to expand academic and content knowledge in their disciplines and to update their skills in pedagogy based upon recent research on how students learn. New and flexible delivery systems are needed.

On the other hand, university faculty traditionally are not rewarded for working with elementary and secondary teachers. Tenure, promotion, salary increases, and recognition are awarded to university faculty primarily on the basis of their research and publications. University faculty are not encouraged or recognized to assist practicing teachers to become better teachers. No profession is more segregated by age level of their clients than teaching. College teachers are not in contact with elementary and secondary teachers professionally or socially.

The experiences of the NDEA-funded "curricula revolution" of two decades ago verify the importance of school faculty having a professional relationship with university faculty on a sustained basis at the local level to keep travel costs negligible, and in tandem with school administrators, the persons who set policy. New initiatives which capitalize upon what was learned in that program, can reach more teachers, at dramatically less cost and with more impact. The current climate between faculty of schools and universities calls out for informed leadership. The need for professional growth of teachers in mid-career is evident. New delivery systems must be provided. Teachers, as a group, are ready to accept informed assistance.

The current rhetoric about a partnership of schools and universities is encouraging. Some college presidents are leading the way in forging new definitions of the partnership. President Donald Kennedy of Stanford University has stimulated a significant number of academics on the Stanford campus to give of their time to assist teachers in the San Francisco area to expand their content knowledge and teaching skills. President Giamatti of Yale University has raised an endowment fund to enable university faculty to assist elementary and secondary teachers of New Haven. In St. Louis, university and college faculty work with representatives of business and industry to aid school teachers. A partnership program overlapping the city of St. Louis and the surrounding metropolitan area is vigorously involving university and college faculty, along with representatives of business and industry, in developing new patterns of working together. Emphasis is on ways university faculty can work with elementary and secondary teachers, rather than directly with students. This results in a domino effect with more impact, that is, helping one high school teacher results in the teacher's impact on 150 high school students.

New strategies for a true partnership between schools and colleges are being developed. I urge the members of the Subcommittee to provide modest funds to stimulate the development and dissemination of ways university faculty can effectively assist school teachers grow in their capacity to be more stimulating and informed in their profession. Use of cable and satellite television are among programs in use that avoid travel to traditional lectures. University faculty need to receive recognition and credit toward promotion when they work effectively with teachers. Models exist. Many of us believe that it is not the responsibility of federal government to fund programs which provide for the professional growth of mid-career teachers. We do believe that it is an opportunity of federal government to fund activities which can stimulate the development of new strategies for faculty of universities and colleges to work with teachers in schools.

In the final analysis, only as local superintendents, school board members, and citizens accept the need for a new partnership and support the development of the partnership with their own local funds and energies will there be significant change in the way schools operate. Greater visibility and recognition can stimulate emulation and expansion of good programs which link elementary and secondary teachers with the academic staff of local colleges and universities—this for the purpose of helping teachers in mid-career be updated in content and pedagogy and add zest to their teaching. A modification of Title V, with modest funds, could stimulate such a development.

STATEMENT OF GENE L. SCHWILCK, PRESIDENT, THE DANFORTH FOUNDATION

Mr. SCHWILCK. Thank you. I will abbreviate my remarks. I would like to build in Dr. Walker's statements, and make a plea that you consider including say, in title V, earmarked funds very modest that would stimulate and encourage some selected able college teachers to develop new strategies for delivering to elementary and secondary teachers professional growth activities for midcareer for their disciplines in pedagogy skills.

The argument in brief is that there are 2 million elementary and secondary teachers whose average age is 45 that received their initial preparation in content and pedagogy 20 years ago, and the majority are going to be teaching for an additional 20 years.

There are not good delivery systems for them to keep stimulated and upgraded in their content and their teaching. There is a lot of national rhetoric now about the partnership among the university, school, and businesses. There are some good programs. I would argue that the movement is very fragile, and there are far too many programs that are superficial.

And very quickly, I would suggest that when men and women on loan parttime from businesses are working in schools and come back and find that they are no longer on promotion tracks within their corporation, and when business leaders find out that far too many of their programs and their loaned people have not been used effectively or integrated carefully into the lesson planning of schools, I suggest that the movement is going to die very quickly, and that would be most unfortunate.

In short, I would argue that what we need is modest stimulation to enable some able persons to develop new strategies, and there are national models, that could assist universities and schools and the business community to have some effective working relationships or partnership. And I think that it only takes modest money.

I think that most of us would agree in conclusion that it is not appropriate for Federal funds to pay for all of the programs that might help elementary and secondary education. The basic argument, of course, is that unless local superintendants and local members of school boards are willing to spend some of their own funds, their own time and energy, and some real commitment with local college and university staff, that no amount of Federal funding is going to make any significant difference.

But I would argue that it is appropriate for an opportunity for Federal funds to stimulate some of those good models and some able professors to work with school people to develop new methods of delivering this kind of inservice education and disseminate them that would encourage the movement to grow positively.

Mr. COLEMAN. Do I take that you have personally or the Foundation has been involved in such preparations and have found them less than satisfactory?

Mr. SCHWILCK. We find many of them less than satisfactory and some are good. And our position at the Foundation, we literally has the opportunity to visit hundreds of college campuses and school districts, and the climate is more positive than it has ever been, but a lot of the programs are very discouraging because of the reasons that we quickly implied. Unless something dramatic happens, I fear that we are going to have a dramatic set-back.

Mr. COLEMAN. What role do you see between the private sector and college and universities into the 1990's, is this relationship going to become more formal and evolve into something that we really have not seen in the past?

Mr. SCHWILCK. That would be our vision. And that would be a coalition in which faculty members at universities actually work with teachers not actually in the classroom, we would have the domino effect to upgrade teachers, with the help of people in the business community. They have other insights. And to do it on such a scale that there is professional stimulation for people who are elementary and secondary teachers to want to remain in teaching.

And I think that we have to get new delivery systems. We have cable television, satellite television. We no longer have to send elementary and secondary teachers to take degree granting courses at universities. Most of the time, the teachers can go to night school or summertime, and that is not the most stimulating time to be in contact with professionals.

There is no profession more segregated by age level clients than teaching. Elementary and secondary teachers are with young kids all day, and they are not in contact with people at research universities where the knowlege is being developed and new pedalogical skills are being developed. So that is the relationship that we have to develop. It will not be terribly expensive, but we need to develop the models for delivery.

Mr. COLEMAN. Do you have specific models in mind or are they being developed, and can you supply us any?

Mr. SCHWILCK. Yes, there are a number of them. There are a few in the testimony, but we would be delighted to work with some of your staff to call additional opportunities to your attention.

Mr. COLEMAN. One last question.

What kind of response are you getting from the teachers' groups to these proposals?

Mr. SCHWILCK. Teachers are delighted. The surveys of superintendants, and schoolboard members, and teachers themselves invariably list as their primary concern the opportunity for professional growth. They all want more salaries, and good ones deserve more salaries, but that is not number one on their surveys. They actually feel isolated and lonely from professional growth and stimulation of being with other professionals. So the climate is more positive than it has ever been.

Mr. COLEMAN. Mr. Walker, is that also reflected?

Mr. WALKER. Yes. I think that what we have to do is to break down that tradition. I am the trainer of teachers, and you, even at age 45, are still here to learn how to teach, even though you have been doing it for many years. I think that what can happen is that if, for example, a university department forms a partnership with its equivalent in a high school and the faculty of both sit down and decide on their agenda and ways that they can assist each other, that is a nontraditional way of doing it.

Because first of all, you begin to treat the secondary teacher as an equal and as a professional, and that is something that has not traditionally been done. The end of the testimony refers to that kind of change in the academic pecking order where you have to decide that you do have things in common as educators.

And those kinds of partnerships with others and that kind of training and retraining for teachers can yield very good results.

Mr. COLEMAN. Do either of you anticipate academic credit being extended?

Mr. SCHWILCK. Academic credit is the least of the problems. Most of the teachers in the country——

Mr. COLEMAN. Don't teachers also get paid on the basis of credits earned, or possession of a master's and degrees.

Mr. SCHWILCK. The majority of the teachers in our country or the ones that we are talking about have their master's degree and have met legal requirements. We have new ones, of course. Many salary schedules require teachers to engage in professional growth. So it is important to get that kind of credit.

I am overstating it, but I think that the point is that traditionally in our country, not unlike others, people at universities have laid on teachers their professional growth. And teachers have been encouraged to go back and take degree granting credit courses often at night and in the summertime which are not the most stimulating environments.

I think that the concept now that many college professors are trying to help deliver and teachers are wanting is ownership on the part of teachers in helping identify priorities and their needs, and then going to the universities where the content knowledge does exist, and on a sharing basis learn together. And it is that climate that is very encouraging currently. And most of the school boards have programs that allow that kind of relationship.

Mr. **Walker**. Can I add that we have found at least that many teachers are not motivated by getting more credits. Some of them have already reached the limit of what they need. We have had examples of teachers who will give up Saturday mornings with no stipends week after week to work with a college professional whom they respect, because they decide what the agenda is. They state what their needs are, and they are getting help.

So I think that staff development that is linked to their students in the most immediate way possible rather than deciding on a course that is in the catalog, in the university catalog, that addresses maybe the department's needs and that professor's needs, that we are going to have better results if we address the needs of the teacher in the classroom.

As Dr. Schwilck pointed out, they are not always so concerned about the credits than they are in just getting the knowledge and making their daily work more profitable.

Mr. **Coleman**. Is this a pure American phenomena or are we copying someone else's blueprint?

Mr. **Schwilck**. It is mostly American.

Mr. **Tauke**. This is a very interesting concept, and one that is very encouraging. You suggested that there should be some kind of Federal incentive with some commitment of resources, however modest.

What kind of commitment of resources is being made by local governments or State governments?

Mr. **Schwilck**. Very modest, and it is very scattered. I would suggest again that unless it comes from a commitment at the local level that outside money is not going to accomplish it. Foundations have had that wonderful history, as you know well, that when external funding stopped, too often many of the projects stopped.

I would urge that it would only be modest money to help a few people who do have good models and to be encouraged to help share and disseminate it. And then help the leadership in local school districts, superintendents, school board members, and lead teachers to get excited about it and take their own initiatives with some of their own funds, but primarily their own time and energy.

I would say that modest money in the reauthorization of the act might help stimulate that kind of development.

Mr. **Tauke**. Do you have any examples now where local school boards are making this kind of commitment?

Mr. **Schwilck**. Oh, yes. In fact, historically in our country today, there is more money being allocated by boards of education for professional growth and development of their teachers than ever before. Now that is even counting inflation.

The main reason for it, and I am overstating again, is teachers are now telling their boards that by and large they are disenchanted to get their continuing professional growth by going back to the traditional college courses. Now that is overstated, because there are exceptions.

But the boards of education are deciding that they need to develop atypical ways for in-service with their teachers. The teacher center movement that the Federal Government helped sponsor about 15 years ago was a very dramatic example of that.

Now they were not all successful. Because too early, we expected teachers to have answers to a very complicated question, and they never had that authority before. A few of the teacher centers that have been continued by local support are some of the outstanding examples in the country, because teachers share ownership.

So I would suggest that the concept is based on the idea that local ideas, and by that I mean local tax and State moneys, should be the main source of funding. And boards of education are beginning to fund money for these kinds of approaches more than ever before.

Mr. **Tauke**. As you know, we are apparently entering a new era of shortage sometime by the early 1990's.

Mr. **Schwilck**. Yes.

Mr. **Tauke**. And one of the concerns that, of course, our committee has is dealing with that problem.

Do you know if there is any evidence that this kind of program reduces the number or the attrition rate among teachers and causes them more to stay in the profession and to continue longer and probably to do a better job?

Mr. **Schwilck**. A quick answer is that the movement is too short in time and too few examples of good programs to have that evidence. Of course, part of the hope is that we could retain a larger number of those midcareer teachers because of this kind of concept. And the other point, of course is, that unless we improve this kind of opportunity that we are not going to have a good opportunity of attracting the million teachers that we need by 1990, additional teachers that we need.

Mr. **Tauke**. What about restoring those to the profession who have left?

Mr. **Schwilck**. There is some opportunity for that maybe.

Mr. **Tauke**. Do you know of anything that is being done in that area?

Mr. **Schwilck**. A modest number across the country, a modest number.

Mr. **Tauke**. Could you submit some information if you have it to us?

Mr. **Schwilck**. Yes.

Mr. **Walker**. Could I just add that we find many former teachers in the business community who are eager to volunteer and go back into the classroom, because they are on the other side of the desk. But we find among the teachers in programs that we have evaluated that one of the benefits of their involvement whether it be with business or university partnerships that their morale is boosted, that they feel better about their positions, and they are learning and developing professionally.

And they find that very invigorating, and they are willing to give extra time to develop a partnership for that very reason.

So I think that while Dr. Schwilck pointed out that it is perhaps premature to come up with definite conclusions, that the evidence in my mind seems to indicate that we are going to help good teachers where they are. Some of them get involved in business partnerships, because they see it as a way out, a way to do networking and to make contacts, so it is their out of the school. In part, as Dr. Schwilck pointed out, they feel isolated and alone and not appreciated. Sometimes their contact with outside people changes that feeling.

Mr. Tauke. Thank you very much.

Mr. Ford. Thank you very much, gentlemen. I am sorry that we ran behind so far today, and had to have you wait around so long, but I appreciate your patience. And the committee appreciates the effort that you put into preparation for today. And the committee will now adjourn.

[Whereupon, at 1:38 p.m., the subcommittee was adjourned, subject to the call of the Chair.]

[Material submitted for inclusion in the record follows:]

Washington University,
St. Louis, MO, June 28, 1985.

Hon. William D. Ford,
Chairman, House Subcommittee on Post-Secondary Education, Cannon House Office Building, Washington, DC.

Dear Representative Ford: I was honored by the opportunity granted me to present testimony on May 31, 1985 at the St. Louis field hearing of the Sub-committee on Post Secondary Education. Thank you for the intense interest you demonstrated in the issues which President Peter Magrath and I raised. Both President Magrath and I greatly appreciated the comments made in response to our testimony.

During our discussion, Representative Tauke asked whether data were available concerning the total undergraduate and graduate indebtedness now being incurred by our students. Enclosed is a table we have generated in response to this query. I hope it will be possible for this item to be included in the hearing record along with my written testimony. As my comments at the end of the table indicate, I am greatly concerned by the heavy loan commitments currently being undertaken by a significant number of our advanced graduate students. It is my belief that these data give strong support to our testimony on the need both for extended pay back periods and loan consolidation programs as well as new initiatives designed to curtail the necessity for graduate students to incur large debt burdens.

I shall be happy to provide you with any additional institutional data which you believe might prove useful during the reauthorization debate. Thank you again for your continued strong interest in graduate education.

Sincerely yours,

Edward N. Wilson, *Dean.*

Enclosure.

TOTAL GSL AND NDSL INDEBTEDNESS FOR ADVANCED GRADUATE STUDENTS (1) AT WASHINGTON UNIVERSITY

Borrowing Category	Number of Borrowers	Mean W.U. Indebtedness (2) Mean Prior Indebtedness (3) Mean Total Indebtedness	No. of Borrowers by Department
$25,000 or more	10	$21,599 8,200 29,799	Psychology (3), Physics (2), Chemistry (1), German (1), Music (1), Romance Languages (1), Sociology (1)
$20,000-$24,999	8	$16,455 4,937 21,393	Psychology (4), Biology (1), Education (1), Economics (1), Social Work (1)
$15,000-$19,999	12	$14,904 2,000 16,904	Music (3), Philosophy (2), Psychology (2), Sociology (2), Biology (1), German (1), Earth & Planetary Science (1)
$10,000-$14,999	18	$10,380 1,801 12,181	Psychology (6), Biology (4) Music (2), Social Work (2), Anthropology (1), Economics (1), Education (1), Philosophy (1)
Less than $10,000	20	$ 5,753 846 6,599	Psychology (4), Anthropology (3), Biology (2), Chemistry (2), Comparative Literature (2), German (2), Political Science (2), Education (1), Mathematics (1) Physics (1)
TOTALS	**68**	**$12,182.03 2,865.21 15,047.35**	**HUMANITIES (16): Music (6), German (4), Philosophy (3), Comparative Literature (2), Romance Languages (1)** **SOCIAL SCIENCES (36): Psychology (19), Anthropology (4), Education (3), Social Work (3), Sociology (3), Economics (2), Political Science (2)** **NATURAL SCIENCES (16): Biology (8), Chemistry (3), Physics (3), Earth & Planetary Sciences (1), Mathematics (1)**

(1) The data in this table summarize the total GSL and NDSL indebtedness of all graduate students who took out a GSL or NDSL in the period 1983-85 and who, at the time of the last loan, had completed three of more years of graduate work.

(2) Washington University Indebtedness has been calculated from all NDSL and GSL debts incurred by the students at Washington University during the six year period from the academic year 1979-80 through the academic year 1984-85.

St. Louis Community College at Meramec,
St. Louis, MO, April 25, 1985.

To Congressman William D. Ford, Congressman E. Thomas Coleman, Congressman William Goodling, Congressman Thomas Tauke:

After a careful perusal of the outline provided me for the preparation of this testimony, I have decided to react to three of its components.

The escalating amount of student indebtedness is a most expensive problem. To eliminate students from the program who are potential defaulters I suggest that the same academic standards or progress applied to the other Title IV programs be applied to the Guaranteed Student Loan Program. Title IV regulations state that a student must be enrolled in an eligible program of study leading to a baccalaureate degree. The Guaranteed Student Loan Program does not require the student to be enrolled in a specific program leading to a baccalaureate. More specifically a Guaranteed Student Loan recipient may take any combination courses they wish not leading to a degree, whereas, a student receiving a Pell Grant, Supplemental Grant or National Direct Student Loan must be enrolled in an eligible program of study.

Also, a modification to the Guaranteed Student Loan Program that appears appropriate would be the consideration of the family's assets. In many instances students from families with large amounts of assets are receiving Guaranteed Student Loans. The question is whether Title IV funds should be expended on families with this type of financial strength or on students from families demonstrating a lesser degree of financial strength.

The $800 self help contribution will definitely be a burden on most students from lower income families. Although it is proposed that work-study could substitute for this contribution it is doubtful in many cases whether this is prudent considering that many lower income students are also poorer students.

One last point which may be considered an abuse would be the treatment of students applying for Pell Grants who claim to be separated. In many instances students are indicating separated status on the financial aid application which means only the student needs to record an income and the spouse does not. I feel that the separated status is a vague term and is taken advantage of by students who wish to insure their eligibility.

Sincerely,

Richard A. Lessmann, *Director of Student Aid.*

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